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NATIONAL GOALS—EMPLOYMENT AND POVERTY

HEARING

BEFORE THE

COMMITTEE ON
LABOR AND HUMAN RESOURCES
UNITED STATES SENATE

ONE HUNDREDTH CONGRESS

FIRST SESSION

ON

REVIEWING THE STATE OF EMPLOYMENT IN AMERICA

JANUARY 13, 1987

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CONTENTS

STATEMENTS

TUESDAY, JANUARY 13, 1987

Page

Bluestone, Barry, Frank L. Boyden, professor of political economy, University of Massachusetts-Boston; Michael Harrington, professor of political science, Queens College, New York; and Karen Nussbaum, executive director, 9 to 5, National Association of Working Women, and president, District 925, Service Employees International Union, AFL-CIO 119
    Prepared statement of Professor Bluestone 123
    Prepared statement of Professor Harrington 179
    Prepared statement of Ms. Nussbaum 197
Brock, Hon. William E., Secretary of Labor, Washington, DC 12
    Prepared statement 16
Cochran, Hon. Thad, a U.S. Senator from the State of Alabama, prepared statement 38
Donahue, Thomas R., secretary-treasurer, AFL-CIO, Washington, DC, accompanied by Peggy Taylor, assistant director, department of legislation, and Dr. Rudy Oswald, director, economic research 77
    Prepared statement 82
Metzenbaum, Hon. Howard M., a U.S. Senator from the State of Ohio, prepared statement 4
Simon, Hon. Paul, a U.S. Senator from the State of Illinois 47
    Prepared statement (with attachments) 51
Sullivan, Reverend Joseph M., chairman, social development and world peace committee, United States Catholic Conference, New York, NY 97
    Prepared statement 103
Thurmond, Hon. Strom, a U.S. Senator from the State of South Carolina, prepared statement 5

ADDITIONAL MATERIAL

Articles, publications, etc.:

    Va. Tech instructor sees youth labor shortage, from Washington Business, January 12, 1987 40

Charts:

    Chart 1—Total civilian employment 9
    Chart 2—Average hourly earnings by sector 10
    Chart 3—Index of real growth in employee compensation 11

Communication to:

    Thurmond, Hon. Strom, U.S. Senate, from Phil P. Leventis, December 17, 1986 7

NATIONAL GOALS—EMPLOYMENT AND POVERTY

TUESDAY, JANUARY 13, 1987

U.S. SENATE,
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Washington, DC.

The committee met, pursuant to notice, at 10:06 a.m., in room SD-430, Dirksen Senate Office Building, Senator Edward M. Kennedy (Chairman) presiding.

Present: Senators Kennedy, Hatch, Simon, Harkin, Cochran, Stafford, and Humphrey.

OPENING STATEMENT OF SENATOR KENNEDY

The CHAIRMAN. We will come to order.

I would like to welcome everyone to our hearing this morning on the state of employment in America. This hearing marks the second in a series of hearings on national goals. We are honored to receive the testimony of today's witnesses, who will share with us their experience and their expertise in the field.

We as a nation cherish the opportunity to work. At the heart of the American spirit lies a desire to produce, to earn, and in turn, to be independent—to know that in a lifetime, we will make a contribution to our society, and that our children will inherit a world of richer possibilities because of their efforts.

These are the values which drive our nation. They are the stuff of our dreams, our families and our history, and they are the American work ethic.

Sadly, however, our economy does not afford enough opportunities for people to work. The unemployment rate hovers at a staggering 7 percent, and that means millions of Americans are out of work.

My distinguished colleague, Senator Simon, will review for us the devastating impact of unemployment on the lives of our citizens. Americans like Don Ruyle, who wants so much to work but cannot find a job. For four years, Donald has searched for employment after losing his position at an automotive plant in Springfield, Illinois. Despite his will to work and to help support his wife and his son, Donald has come up empty-handed. He sees our task as a nation before us well when he states, "I am thinking that there should be a way that the United States should be able to put their people back to work."

Until we do, unemployment will continue to level a crushing blow to millions of Americans and their families and a steady burden on this society. Economists tell us that our new, high levels of unemployment have cost us hundreds and hundreds of billions of dollars in the last few years. But I can tell you that it has cost millions and millions of Americans the best years of their lives, not only because the unemployed die sooner, but because those without work live less well.

There are two sides to the coin. Work is good for the soul, but a paycheck is good for the body. But there is distressing new evidence that we are creating an economy to which people can work but cannot live because their wages are too low. Professor Bluestone will review new evidence that six out of every ten new jobs in this economy pay $7,000 or less. For a family of four, that is less than 70 percent of the poverty line. It is as though a sly genie gave the President his wish for new jobs for the American people, but did not give the American people paychecks for their work.

Perhaps this should come as no surprise. The minimum wage in this country is only $3.35 an hour. A person who worked full-time, all year, at the minimum wage would earn $6,700—almost $4,000 short of the poverty line for a family of four. The minimum wage is not a living wage, and it is not a decent society in which a full-time job means a lifetime in poverty.

What about those Americans too old or too young to work? This year, one out of every four American children live in poverty. Before turning 18, one out of every three American children will spend some of his or her childhood poor.

When we want to do better, we can. Two decades ago, one out of every three Americans spent their golden years in poverty; now, only one out of every eight senior citizens are destitute—and that is still one out of eight too many.

We must approach these challenges in new and creative ways which will take us towards the goal of quality full employment in a fiscally-responsible manner—ways like worker ownership, Federally-guaranteed loans for workers who wish to retrain themselves, ways which demonstrate that a just society can be attained without fanning the flames of our national debt.

This country is committed to the day that there will be work for all who can, and care for all who cannot. I look forward to working with my colleagues on both sides of the aisle towards the day when that work will be done.

Senator Hatch?

Senator HATCH. Thank you, Mr. Chairman.

As I stated yesterday at our hearing on health policy, I think it is commendable that you have chosen to start off the year with a series of hearings on national goals—or, at least, national goals as you and your colleagues see them.

These overviews will provide this Committee with the "big picture", an important perspective which is often overlooked during the consideration of specific legislation.

My only regret is that our distinguished witnesses this morning do not represent the whole spectrum of views on the subject of employment, but I suppose one hearing could not do that, anyway.

Employment has always been one of the top priorities of this Committee. In the 97th Congress, there was broad bipartisan agreement that we could do better in delivering better job-training services to economically disadvantaged citizens. Almost every member of the Committee played a role in the enactment of the Job Training Partnership Act, which has now assisted over 2.5 million Americans since October 1983. And just last year, we passed several amendments which improved on the JTPA, particularly its provision of youth literacy and computational skills training.

We are unanimous in wanting to create more jobs, to help those who are unemployed to find productive and rewarding work. But there is substantial disagreement today about what needs to be done. There is even less agreement about the nature of the unemployment issue and its magnitude.

For example, if you look at this first chart up here, we see that total civilian employment has increased dramatically in the last few years. The economic recovery, which many predicted would not last, has resulted in almost 11 million new jobs since 1982, 3.3 million in the last year alone. That is phenomenal.

The second chart, showing average hourly earnings by sector, indicates that no sector of the workforce has been left out of the recovery in terms of wage increases. The lowest percentage increase in the six-year period was 31 percent in retail trade. The highest was 51 percent in finance, insurance and real estate.

Now, this chart of course does not tell the whole story. Chart 3 shows the increase in total compensation adjusted for inflation during the economic recovery. Total compensation includes all wages and benefits such as employer-paid insurance.

Clearly, while the employment picture—and, I might say, the unemployment picture–is not all rosy, it is not all doom and gloom, either. So I look forward to working with Senator Kennedy, Senator Simon, and my other colleagues on the Committee in identifying the components of the employment issue which can be addressed most effectively by Federal legislation.

I also want to welcome Secretary Brock to the hearing. I think he has been a strong advocate for America's workers, and I think most people agree—and a leader in developing innovative and responsible policies with the limitations he has to face. I appreciate his taking the time to be here today.

In addition to Secretary Brock, I also want to thank our other witnesses for joining us today to present their views on what really are key national policy areas. I think they will raise many concerns today which will warrant our serious thought and consideration, and Mr. Chairman, I will certainly work with you, Senator Simon, and others to try and resolve these problems in a reasonable and good way.

Thank you very much.

The CHAIRMAN. Thank you very much, Senator Hatch.

[The prepared statements of Senators Metzenbaum and Thurmond and the charts referred to follow:]

U. S. Senator Howard M.
METZENBAUM
of Ohio

Committees:
Budget
Energy and Natural Resources
Human Resources
Judiciary

202 224-2315

STATEMENT OF SEN. HOWARD METZENBAUM
FOR LABOR AND HUMAN RESOURCES COMMITTEE HEARINGS
ON EMPLOYMENT AND POVERTY
JANUARY 13, 1987

TODAY, THE SENATE LABOR AND HUMAN RESOURCES COMMITTEE WILL HEAR TESTIMONY ON NATIONAL GOALS IN THE AREA OF EMPLOYMENT AND POVERTY. WE MUST BEGIN TO DEFINE THOSE GOALS FOR THE REMAINDER OF THE 20TH CENTURY. WE HAVE MUCH GROUND TO COVER AFTER SIX YEARS OF ADMINISTRATION NEGLECT.

I WILL SHORTLY INTRODUCE LEGISLATION ON THREE ISSUES OF SPECIAL CONCERN TO ME: DISLOCATED WORKERS, DISADVANTAGED YOUTH, AND THE AVAILABILITY OF DAY CARE FOR WORKING FAMILIES. I EXPECT TO WORK CLOSELY WITH CHAIRMAN KENNEDY AND OTHER COMMITTEE MEMBERS. I INTEND TO MOVE THESE THREE BILLS THROUGH THE COMMITTEE PROCESS SO THAT THEY REACH THE SENATE FLOOR LATER THIS YEAR.

ONE OF THE GREATEST CHALLENGES IS THE PLIGHT OF DISLOCATED WORKERS IN AMERICA. SINCE JANUARY 1981, OVER FIVE MILLION AMERICANS WITH SOLID WORK HISTORIES LOST THEIR JOBS WHEN THEIR PLANTS CLOSED OR RELOCATED. THESE MEN AND WOMEN HELPED MAKE US THE MOST PRODUCTIVE COUNTRY IN THE WORLD. BUT AS OUR ENCONOMY CHANGES, FAR TOO MANY OF THEM REMAIN UNEMPLOYED, OR UNDEREMPLOYED IN LOW-PAYING NONSKILLED JOBS. IF WE ARE TO RESTORE OUR COMPETITIVE POSITION IN THE GLOBAL MARKETPLACE, WE MUST RETRAIN AND REDIRECT THIS DEDICATED, TALENTED WORKFORCE.

THE DESPAIR OF BEING POOR AND UNEMPLOYED IS KEENLY FELT BY MILLIONS OF YOUNG PEOPLE IN THIS COUNTRY. ONLY MEANINGFUL TRAINING AND JOB OPPORTUNITIES CAN PREVENT TODAY'S DISADVANTAGED YOUTH FROM BECOMING A PERMANENT UNDERCLASS.

WE MUST FIND A WAY TO MAKE DAY CARE AND OTHER VITAL SUPPORT SERVICES MORE AVAILABLE TO WORKING PARENTS. POOR AND MIDDLE CLASS WOMEN SHOULD NOT HAVE TO SACRIFICE FAMILY SECURITY OR PEACE OF MIND IN ORDER TO PARTICIPATE AS EQUAL MEMBERS OF THE WORK FORCE.

I WELCOME THE OPPORTUNITY TO RESPOND TO THESE AND RELATED CHALLENGES. WE MUST MAKE SURE THAT ALL AMERICANS WHO ARE ABLE TO WORK HAVE THE CHANCE TO DO SO AT JOBS THAT MAXIMIZE THEIR SKILLS AND EARNING POWER.

-30-

STATEMENT BY SENATOR STROM THURMOND (R-S.C.) BEFORE THE SENATE LABOR AND HUMAN RESOURCES COMMITTEE REFERENCE HEARINGS ON NATIONAL EMPLOYMENT GOALS. JANUARY 13, 1987, 10:00 A.M., SD-430.

MR. CHAIRMAN:

I wish to commend you on conducting this hearing to establish our National goals in the employment area. I look forward to working with you and other members of the Committee throughout the 100th Congress as we seek to address many of the issues raised here today.

I am encouraged by recent reports that the Nation's economy, under the leadership of President Reagan, continues to improve. Just last week we received news that in December the Nation's civilian unemployment rate fell from 6.9% to 6.7%. The economy generated about 200,000 new jobs last month, and according to the Department of Labor, a record 60.9% of the civilian population was employed. Moreover, for the entire year, employment rose by 2.2 million. These are encouraging statistics.

Nevertheless, such reports are little comfort for those still seeking a job, and there is always room for improvement. While the unemployment rate for teens fell from 18.2 percent to 17.3 percent, it is still too high. Many economists would agree that this situation partly results from the minimum wage which discourages employers from employing teens, thus giving them much-needed job experience to build on. Accordingly, I will continue to support legislation making adjustments in this area.

Furthermore, in this regard, I have recently received correspondence from South Carolina State Senator and small

BUSINESSMAN, PHIL LEVENTIS, WHO CONFIRMS THAT THE MINIMUM WAGE DISCOURAGES BUSINESSES FROM EMPLOYING TEENS.

MR. CHAIRMAN, I ASK THAT A COPY OF THIS LETTER BE PRINTED IN THE RECORD OF TODAY'S HEARING.

ANOTHER AREA OF CONCERN IS THE MANUFACTURING SECTOR. IN SOUTH CAROLINA, MANY JOBS HAVE BEEN LOST IN THIS AREA, PARTICULARLY IN THE TEXTILE INDUSTRY, BECAUSE OF THE FLOOD OF IMPORTS. IN THIS REGARD, THE JOB TRAINING PARTNERSHIP ACT, WHICH FALLS UNDER THE JURISDICTION OF THIS COMMITTEE, HAS BEEN EFFECTIVE IN RETRAINING MANY DISPLACED WORKERS FOR NEW JOBS. I LOOK FORWARD TO WORKING WITH OTHER MEMBERS OF THIS COMMITTEE IN SEEKING TO IMPROVE THIS ACT. MOREOVER, THERE ARE SIGNS OF IMPROVEMENT IN THE MANUFACTURING SECTOR. THE FACTORY EMPLOYMENT OF THIS NATION HAS INCREASED BY 85,000 JUST SINCE SEPTEMBER.

IN CONCLUSION, THE POLICIES OF PRESIDENT REAGAN, ABLY ADMINISTERED BY SECRETARY OF LABOR BROCK, HAVE RESULTED IN ONE OF THE LONGEST, SUSTAINED PERIODS OF IMPROVEMENT IN EMPLOYMENT IN RECENT YEARS. MOREOVER, THIS HAS BEEN ACCOMPLISHED WITHOUT HIGH LEVELS OF INFLATION. THE CONTINUED CREATION OF JOBS, WITHOUT THE EROSION OF THE WORKINGMAN'S PAYCHECK BY INFLATION, REVEALS THE ADMINISTRATION'S STRONG COMMITMENT AND EFFECTIVE RESPONSE TO THE EMPLOYMENT AND POVERTY CONCERNS OF THIS NATION. A GOOD JOB IS THE BEST ANTI-POVERTY WEAPON I KNOW. I LOOK FORWARD TO WORKING WITH OTHER MEMBERS OF THIS COMMITTEE TO ENSURE THAT THIS TREND CONTINUES.

P. O. BOX 142
Columbia, S. C. 29202

December 17, 1986

The Honorable Strom Thurmond
United States Senate
Senate Office Building
Washington, DC

Dear Senator Thurmond:

It has come to my attention that proposals are being made for increasing the minimum wage. As a business man and a member of South Carolina Senate, I must tell you that these ideas are quite disturbing.

Certainly it would be delightful in an idealistic world to increase the amount of money that young people can get simply by waving the magic wand or changing the law. However, the fact is that an increase in the minimun wage will have two very negative affects for young people, as well as, poor people.

First, it limits access to the work place for young people. As an employer, I can tell you that I am much more selective now than ever before as to "who I will give a chance to" because of the extremely high minimum wage. The higher the minimum wage the less likely the person who "appears to be" a marginal employee is to get a job in the first place. Since you cannot tell a book by its cover, the appearance of many young prospective employess who are trying to enter the job market for the first time combined with the high minimun wage could be the factor that prevents their entry to begin with and keeps them on the unemployed and employable roles. I think this would be extremely unfortunate to the public in general but to the young aspiring employee, in particular.

The second thing that disturbs me a great deal about any proposed increases in the minumun wage is, of course, the severe negative impact that such a proposal will have on the inflation rate in this country. It's no accident that inflation has subsided substantially during the period when the minimum wage has remained constant. The increasing of the minuimun wage will have a ripple affect throughout the economy that could alone trigger a new round of inflation.

Page two
December 17, 1986

I know these ideas seem somewhat esoteric, theoretical, and far removed from the every day work place. But in my years in business and in the legislature, I can tell you that these ideas reflect exactly what is going to happen to us if we go to the increased minimum wage as has been proposed. Let's not be woced by the opium of idealism when it comes to the minimum wage and trying to get increased standards of living for people in the marginal areas of our economy. Let me share with you one more example of why I feel minimum wage is a barrier for entry into the working economy. That would be simply this, one of the strongest proponents of the minimum wage is the South African industrial movement. They are proponents of the minimum wage not only for whites but for blacks. They know full well that if they can have a high minimum wage that South African employers will not give the average black entry level worker a chance to perform and prove himself. This, therefore, acts to reserve the entry level and future employment possibilites for white folks in South Africa,

Please believe me, any change in the minimum wage would be very, very harmful to this country at the present time. I would appreciate hearing your views on this issue.

With sincere best wishes to you and your family for a happy holiday season, I am

Sincerely,

Phil

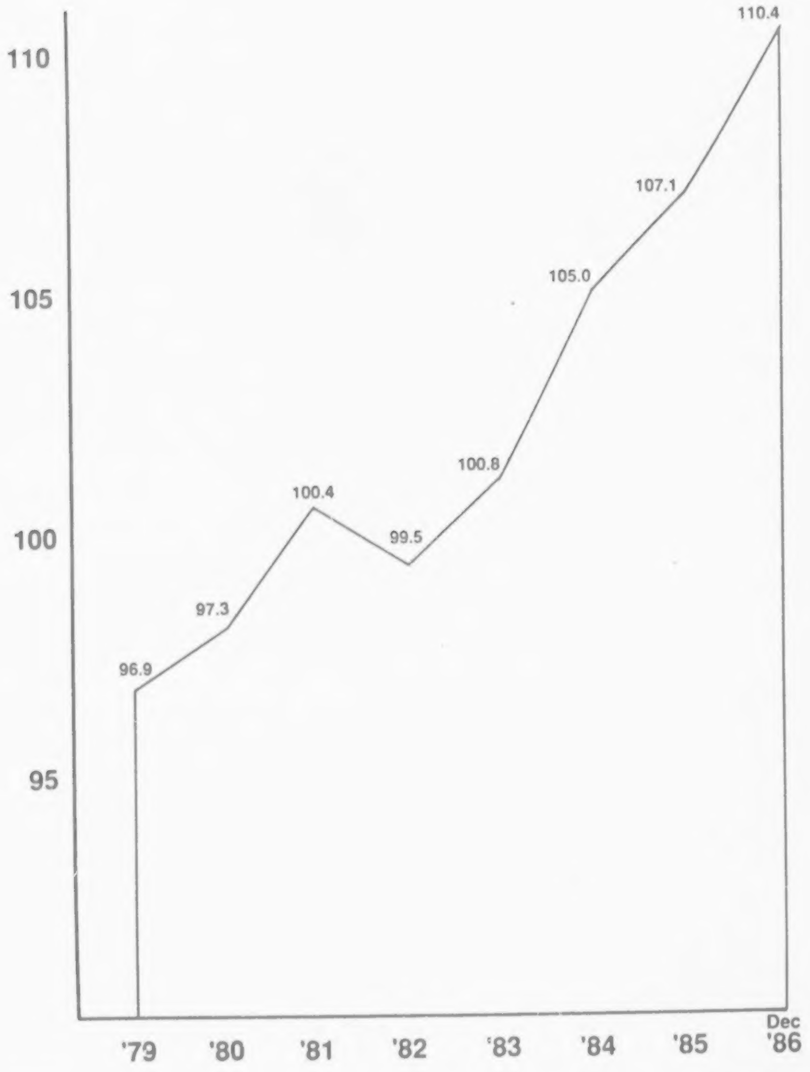
Phil P. Leventis

PPL/em
309/0567

CHART 1.

Total Civilian Employment

(Annual Averages - in millions)



Sources: Bureau of Labor Statistics

Chart/Senate Republican Conference

CHART 2.

Average Hourly Earnings by Sector

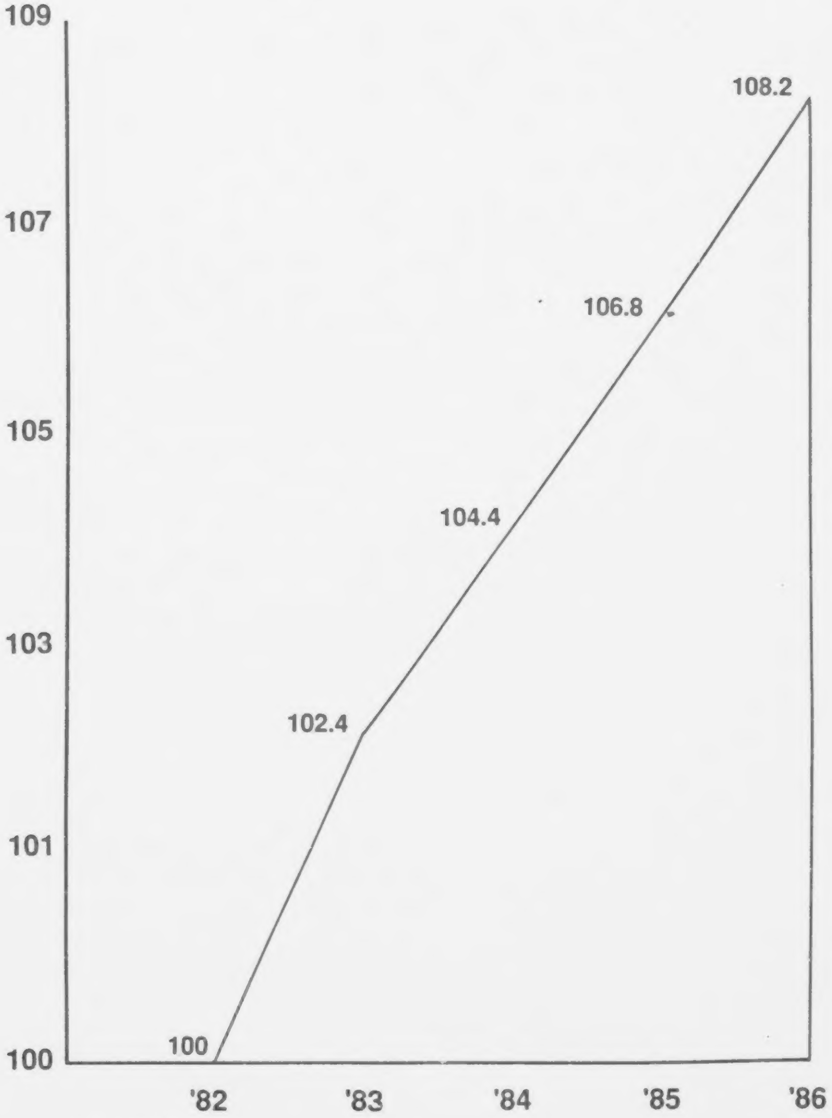
	1979	1985	% △
Private Sector	6.16	8.57	39%
Mining	8.49	11.98	41%
Construction	9.27	12.31	33%
Manufacturing	6.70	9.53	42%
Transportation and Public Utilities	8.16	11.40	40%
Wholesale Trade	6.39	9.16	43%
Retail Trade	4.53	5.94	31%
Finance, Insurance Real Estate	5.27	7.94	51%
Services	5.36	7.89	47%

Source: Bureau of Labor Statistics
Chart/Senate Republican Conference

CHART 3.

Index of Real Growth in Employee Compensation

(adjusted for inflation, 1981=100)



Sources: Bureau of Labor Statistics
Economic Indicators, Dec. 86

Chart/Senate Republican Conference

The CHAIRMAN. We welcome back to our Committee the Secretary of Labor. Mr. Brock is a former colleague of ours and we have enjoyed a working relationship with him. He was a highly regarded and respected member of our body, and has since had a variety of different responsibilities both within and outside the Administration. We have areas of agreement and areas of difference, but we always value his presentation and are impressed by his comments.

We look forward to your comments, Mr. Secretary, please proceed.

STATEMENT OF HON. WILLIAM E. BROCK, SECRETARY OF LABOR, WASHINGTON, DC

Secretary BROCK. Thank you, Mr. Chairman.

I want to begin by trying to repay a couple of compliments, first to the Ranking Minority Member, for not only his kind words, but for his distinguished service to this Committee and his record of accomplishments in this Committee over the past six years.

I also would like to offer my congratulations to the new Chairman and wish you much success with the new Congress. The Committee is fortunate to have you both as leaders.

I do not think you could have picked a more important subject on which to hold your first hearings this year. In assessing the state of the workforce and the challenges we face, we have got to begin by acknowledging that we have an excellent record on which to build. We have now experienced four full years of expansion since the end of the last recession. During that time, we have added nearly 13 million new jobs to the economy; we have become again the envy of the world, and in particular of Western Europe. In 1986 alone, the number of jobs increased by 2.2 million. We have done this in an atmosphere of the lowest inflation since the early 1960's, and the lowest interest rates in nine or more years.

We now have—and I think this is important—a higher percentage, a higher proportion of our working age population employed than at any time in our history. That is a phenomenal statement, and it has consequences for all that we will consider in these deliberations.

With the creation of the 1982 Job Training Partnership Act, which Senator Hatch mentioned, we established a framework to provide employment assistance, including the literacy skills to help workers find and hold productive jobs. The success of this program has been phenomenal. Over the past 33 months of JTPA, we have assisted over 800,000 young people and helped more than 1.7 million adult workers obtain the skills necessary to find gainful employment.

All of these indicators present a positive picture that not only argues, but requires, that we maintain the essence of the macroeconomic policies that have brought us to this point.

But even with overall unemployment at 6.6 percent today, there still exist some troubling problems. There are groups who have not shared equally in economic advances. Minorities in particular still suffer from high unemployment and relatively low earnings. Workers displaced from declining industries, both high and low wage workers, often face serious problems adapting to the job market.

Young people who lack the basic skills to find work are continuing to be caught in the cycle of welfare and unemployment, as are too many women.

As we look closely at the demographic and economic trends to the end of the century and how they will affect the employment picture, we can already see that these are the groups that will be most at risk in the workforce of the future.

We in the Department have launched a major examination of work trends through the year 2000. We choose to call our mission the WORKFORCE 2000 Project. The name symbolizes what we believe is a collective goal of workers, industry, academia, government, all of us, to assure decent jobs and necessary skills for all Americans, certainly by the turn of the century, hopefully before.

I should compliment the Chairman on his remarkable quality of language. I love the phrase that you used: "Work for all who can, and care for those who cannot." That is a legitimate national purpose, and I compliment you for that.

In broad terms, the objectives that have and will guide our WORKFORCE 2000 Project are to anticipate and prepare for change by enhancing the skills of the workforce and improving the nation's private pension system.

This next year, we will continue our look ahead to the year 2000, and we will focus on the changing nature of the workforce, the kinds of jobs we expect to be created, and the skills needed to hold those jobs. Our response to these questions will determine how we answer the major question: Is this country committed to be competitive in the year 2000, and is it still committed to the quality of excellence that we have seen so much in these past 200 years.

If I may, I would like to outline what we have already discovered and the major demographic trends—and when I do this, Mr. Chairman, I am not trying to be a prophet. I think the facts are self-evident. The people who are going to be working in the year 2000 have already been born. We know who they are. We know where they are, and we know what their characteristics are. I think it is important to establish these facts as a benchmark for the discussion.

First, the population and workforce will grow very slowly in the next 13 years. The rates of increase will be slower than at any time since the 1930's. Because of this, we could face a shortage of workers rather than a surplus we have had since World War II.

At the same time that the workforce is growing more slowly, the youth population is declining. I think you have to ask what this means for many employers who rely heavily on youth for entry-level jobs. Businesses, colleges and the military are going to find themselves competing and scrambling for 18 year-olds.

We had at our conference the recently retired Chief of Naval Operations. He made the statement that in order to maintain our national security, without any increase from present force levels, the military forces of the United States would have to have one-half—one out of every two—qualified male high school graduates by the year 1995. That just simply is not going to happen.

The word that is key is the word "qualified". We are not graduating enough young people with qualifications, with skills.

Now, the youth population is declining, but the minority and low-income youth population is growing, and this is the group with the highest unemployment rate, the most disadvantages, and the highest difficulty of entry into the workforce.

The number of immigrants in the workforce will increase. About one-half million legal immigrants will come into the United States each year.

In sum, most of the labor force growth will come from groups in the population that traditionally have been underutilized and have had trouble finding rewarding jobs. Women, minorities and immigrants will account for over 80 percent of the net addition to the labor force between now and the year 2000.

In addition, single-parent families and families where both parents work will become more common, increasing the demand for support services during working hours.

On the job side, the workplace side of the equation, we can expect most of all, change. There will be constant flux in the economy, constant change, and major geographic shifts. As a result, labor supply and demand will probably be in imbalance in many localities. Areas dependent on single firms or industries such as farming, mining and oil, or others will be particularly vulnerable.

Job creation will continue its pace in the service sector, with over 90 percent of the new jobs being created in that sector.

Of greater consequence to our young people and immigrants and women and minorities, new jobs in the economy will strongly favor the most educated sector of the labor force. Among the new jobs to be created in the American economy in the next 15 years, every single category requiring higher skills will be growing faster. There is no exception to that rule.

Many existing jobs will require higher levels of analytical and communication skills, and the level of literacy required will continue to rise above mere reading and writing ability.

In other words, the most important skill is going to be the cognitive skill, not the manual skill.

In this rapidly changing environment, the average U.S. worker will change jobs several times in his or her worker lifetime. Many workers will undertake second careers and will remain in the workforce longer than they do at the present time.

The picture that emerges from all this is one of challenge, one of opportunity, and I think, perhaps, one of hazard unless we change some things. We do need to start finding some solutions today, solutions that give us a return on our dollar, solutions that recognize, as the Senator from Massachusetts has noted, that we are going to have to live within a constrained budget for the foreseeable future.

So we have to find solutions that allow us to leverage our yield to the greatest good. With this in mind, we are going to come to the Congress this year with some legislative initiatives which we hope will address some of the problems I have described.

We will announce the plan for a new Worker Adjustment Program that would triple the resources now available to displaced workers. Building upon our experience with JTPA, we base it on three or four fundamental principles. First, it has to be comprehensive. It cannot be predicated only upon trade-affected people, but on displaced workers generally. Secondly, it has to be effective.

Third, it has to incorporate earlier intervention in targeting of funds without new bureaucracy. And lastly, we think it is essential that this be tied very closely with the unemployment insurance system.

We are also suggesting a new initiative to deal with the two particular and peculiar problems of welfare youth. We have not been successful in this country in adequately dealing with this problem, particularly as it affects minorities, and as it relates to our cities. We have got to do a better job of breaking the cycle of welfare dependency.

Teenagers and young parents on welfare face the greatest barriers to escaping poverty. What we are proposing is to take the Summer Youth Program and give communities the option to operate that or a year-around employment and training program targeted to AFDC teenagers and parents.

In addition to those two initiatives, we will propose new protection for worker retirement benefits. We will try to ensure adequate funding to guard against underfunded pension plans and to increase flexibility for the recovery and use of excess assets in overfunded plans.

In conclusion, I think it is patently obvious that the issues facing us are not partisan. They are subject to no particular ideology. They are human problems of consequence to the well-being of this country. We simply have to find ways of working together, those of the agencies of my Department, with other departments, with the Congress, with business, with labor, to find some solutions that are more effective than those we have found to date.

We have come upon a new code word in the American political lexicon. It is called "competitiveness" and everybody is talking about it. But the fact is that we are really talking about human beings, and unless we can give our worker population and those entering it the skills to hold these new jobs, both thee and we will be the lesser for it.

We have much to do. We have much we can achieve, and I appreciate the chance to begin the conversation with you today.

[The prepared statement of Secretary Brock follows:]

STATEMENT OF
WILLIAM E. BROCK
SECRETARY OF LABOR
BEFORE THE
COMMITTEE ON LABOR AND HUMAN RESOURCES
UNITED STATES SENATE

ON EMPLOYMENT TRENDS: WORKFORCE 2000

January 13, 1987

Mr. Chairman and Members of the Committee:

I am pleased to have this opportunity to testify before you today. I believe the Committee could not have picked a more appropriate or important subject on which to hold one of its first hearings in the 100th Congress.

In assessing the state of the workforce and the challenges we face, we should acknowledge that we have an excellent record on which to build. In the past six years, we have created a record-breaking number of new jobs that have made the United States the envy of Western Europe. Legislatively, we have established a new framework for the delivery of cost-effective employment assistance -- the 1982 Job Training Partnership Act (JTPA) -- which is exceeding our expectations. In addition, just last year we enacted amendments to the JTPA strengthening its role in providing the literacy skills workers need to find and hold productive employment. Huge praise for the success of the JTPA is owed to the bipartisan leadership of the Senate Labor and Human Resources Committee.

In short, over the first 33 months of JTPA we have assisted over 800,000 young people, and helped more than 1.7 million adult workers obtain the skills necessary to find gainful employment. In the last year alone the U.S. economy created 2.2 million more jobs. And we have done this in an atmosphere of the lowest inflation rate since the early 1960's, and the lowest interest rates in nine years.

To continue these accomplishments, and to find ways to reach out to those who have not been able to share in the fruits of our economic recovery, the Department of Labor has launched a major examination of work trends through the year 2000. Mr. Chairman, these trends will profoundly affect policy issues that concern our Department and this Committee, and with the turn of the century just around the corner we need to recognize and begin to deal with them today.

We've chosen to call our mission the WORKFORCE 2000 Project. The name symbolizes the collective goal of labor, industry, academia, and government to assure decent jobs and a decent society for all Americans. It will be an integrated and comprehensive plan of research, interagency cooperation, private sector partnership, and resources. It will be a plan with ambitious goals, and therefore not without risk.

In very broad terms, our objectives are to anticipate and prepare for change by enhancing the skills of the workforce and improving the nation's pension system. To achieve these objectives, we in the public and private sector have to do several things such as: make workplace literacy a national priority; coordinate federal and state resources; remove barriers to labor-management cooperation; encourage employers and individuals to invest more in education and training; respond aggressively to the needs of those who must balance the demands of work and family; facilitate the movement of displaced workers to new jobs; protect current and future retirement benefits; review workplace standards on health and safety, and work rules; and better integrate minority, disadvantaged, handicapped workers and women, veterans and new immigrants into the workforce.

As a first step, we are proposing three new legislative initiatives which are responsive to these trends.

- A new worker adjustment assistance program aimed at combining the features of several programs to provide swift aid in matching displaced workers with new jobs.

- A restructured program of training and employment assistance for AFDC youth, to help break the cycle of welfare dependency.

- New protections for workers' retirement benefits through ensuring adequate funding to guard against underfunded pension plans and new standards to increase the flexibility for the recovery and use of excess assets in overfunded pension plans.

As a second step, we are working to develop proposals which are designed to enhance the administrative flexibility of the unemployment insurance system and to clarify and refocus the role of the public Employment Service.

In this next year, as we continue our look ahead to the year 2000, we will focus on the changing nature of the workforce, the kinds of jobs we expect to be created and the skills needed to hold such jobs. Our response to these issues will determine how we answer the major question: Is this country committed to being competitive in the year 2000?

Let me outline in very general terms what we see as the major demographic trends.

- First, the population and workforce will grow very slowly -- the rates of increase will be slower than at any time since the 1930's. Because of this, we could face a shortage of workers rather than the surplus we've had since World War II.

- At the same time, the youth population is declining. Just think what this means for many employers who rely heavily on youth for entry-level jobs. Businesses, colleges and the military may find themselves competing and scrambling for 18 year olds.

- However, the minority and low-income youth population is growing -- and this is the group with the highest unemployment rate, and one that has traditionally been left behind in this country.

- The number of immigrants in the work force will increase -- about half a million legal immigrants alone will come in each year.

- In short, most of the labor force growth will come from groups in the population that traditionally have been underutilized and have had trouble finding rewarding jobs. Women, minorities and immigrants will account for over 80 percent of the net additions to the labor force between now and the Year 2000.

- Single-parent families and families where both parents work will become more common, increasing the demand for support services during working hours.

- In the coming decade, prime age workers will constitute a larger share of the labor force, and the average age of the workforce will rise.

- o On the jobs side of the equation, we expect major geographic shifts. As a result, labor supply and demand will probably be in imbalance in many localities. Areas dependent on single firms or industries, such as farming, mining and oil, will be most vulnerable.

- o Job creation will continue to predominate in the service sector. The Bureau of Labor Statistics estimates that 90 percent of the new jobs created will be in the service sector.

- o The occupational mix of jobs will change, with employment in professional and managerial jobs growing by 5.2 million, while operative and laborer slots will increase by only 1.3 million.

- o New jobs in the economy will strongly favor the most educated sector of the labor force.

  - -- Among the new jobs to be created in the American economy in the next 15 years, every category requiring higher skills will be growing faster.

- Many existing jobs will require higher levels of analytical and communication skills -- and the level of literacy required will continue to rise above mere reading and writing ability.

- To meet the competitive challenge, employers will be paying increasing attention to human resource development and will continue to seek ways to reorganize work to make better use of people.

- In this rapidly changing environment, the average U.S. worker will likely change jobs several times in his or her work life, and many will change jobs five or six times. Also, many workers will undertake second careers and remain in the workforce longer than at present.

If we are to take advantage of the opportunities these trends present us, we must deal meaningfully with some of the more significant problems and issues our society now faces. If we are serious about strengthening our ability to compete in a global economy, all of us -- this Administration, as well as this Committee, State and local officials, management and union leaders, workers and concerned citizens' groups -- must contribute to the search for solutions to issues such as:

- Youth unemployment, especially among minorities;
- Low literacy among youth and adults, which is now nearing epidemic proportions;
- Worker dislocations, and the need to adjust to a rapidly changing economy;
- Increasing conflicts between work and family obligations;
- Positive labor-management relations, rather than the historical confrontational approach;
- The life-long necessity for training, retraining, and more retraining; and
- Protecting the security of workers' retirement income and encouraging increased pension coverage among small employers.

I cannot emphasize too much that these issues need to be addressed in a realistic, cost-effective way, without rekindling inflation. The budget constraints which we all recognize mean that we will have to make the best use of available funds and see that government programs and policies are coordinated to contribute to the solution of these problems, not work against them. The trends also indicate that we must rely more on the private sector to address social needs. Consequently, government must be sensitive to the burden it imposes on the private sector to directly finance programs. For example, merely mandating employer-provided benefits is not the appropriate solution.

Let me offer some thoughts on where I believe we need action and where the Labor Department will be active:

o First, we need to make sure the education system is preparing our young people for the changing labor force. Millions of workers are prevented from getting jobs or moving to better jobs by their lack of basic competency in reading, writing and speaking English, by their poor math skills, and by their lack of reasoning and problem-solving skills. In addition to schools, training programs, employers, and the individuals themselves must insure that everyone in our society is fully prepared to contribute to a technologically complex society. Working closely with Secretary Bennett and the Education Department, we have a "Literacy in the Workplace" initiative underway: Among other components, this effort encompasses two national demonstration programs that address the literacy needs of dropouts and potential dropouts. It includes Youth 2000, a year-long program of activities designed to develop long-range education and employment policies that start in the classroom. It has led to the addition of a literacy segment to the JTPA summer youth jobs program. Our Department has been an enthusiastic supporter of Project Literacy U.S. (P.L.U.S.), but we are certainly not alone. From the Department of Education to the Governors, Mayors, and State Legislatures, to the churches and hundreds of community action groups, it is truly becoming a national movement.

Let's set a goal today to eradicate illiteracy in the U.S.

o We need to consider better ways to break the cycle of welfare dependency. We simply cannot afford to continue a situation in which many of our youth population -- primarily poor, minority school dropouts -- face lives of unemployment and welfare dependency, compounded by problems of illiteracy, drug use, and teen pregnancy. I believe society needs to focus training and employment resources on young parents and adolescent children in families receiving AFDC. These are the welfare recipients who can benefit most from our proposed targeted approach, and they deserve more focused and effective attention. Our new AFDC youth initiative is designed to augment the JTPA literacy provisions enacted last year.

o We need to improve the effectiveness of our worker adjustment programs. We are proposing a comprehensive new approach which will take the place of Trade Adjustment Assistance and the JTPA Dislocated Worker program, and will be based on the following principles:

-- Comprehensive coverage of workers, regardless of the cause of the dislocation;

-- Emphasis on approaches proven to be effective in helping dislocated workers;

-- Early intervention and better targeting of funds to dislocations; and

-- Close linkages with the Unemployment Insurance system as an integral part of adjustment services.

- We need to examine our pension and welfare benefit systems to determine how we can provide workers with greater financial security while recognizing that increasing job mobility will be an economic fact of life for many. This is especially important for industries and companies with shrinking workforces whose workers may have substantial pension benefit accruals at risk.

- We need to recognize that more and more women and single heads of households are entering the workforce and may have special needs that should be considered if they are to be productive workers. Employers who recognize these needs are better able to attract and retain a quality workforce.

  The Labor Department is sponsoring a major conference on the many dimensions of this and other "work and family" issues this spring.

- We need to keep in mind that more persons are covered by employer-sponsored health benefit plans than by any other source. The Department of Labor, because of our responsibility for regulating these plans under ERISA, is concerned that our nation's health care system provides adequate quality health care.

The WORKFORCE 2000 Project will be a team effort--among the agencies within our Department, among our sister agencies in the federal government, with the Congress, and with business and labor. I'm excited about it because it represents to me a commitment to our collective future.

A growing number of people are thinking about the importance of competitiveness as it relates to the prospect of a productive and secure American future. I'm encouraged to see that the same light bulb seems to be flashing on all over the country. Our strength is our diversity, our ethic, and our grit, but what historically has united us is our confidence in ourselves. We can rise to any challenge because we know we've done it so many times before. The time has come to meet a new challenge, the challenge of the year 2000.

The CHAIRMAN. Thank you very much, Mr. Secretary.

We will follow a ten-minute rule for the first round, including myself.

There are many parts of your testimony where I know there is fairly broad agreement, and we look forward to working closely with you on a number of the programs which have been recommended in terms of training and upgrading skills for displaced workers, and I commend you for the ability to persuade the Administration and OMB to try and develop the funding for that particular program in the budget. What is going to happen to the total budget is another issue, but certainly it demonstrates that you yourself have been persuasive.

Having said that, I think we ought to try and put into some perspective what has been really happening in this country over the period of these past several years, whatever, five, six, seven years, in terms of new employment. We are going to hear from Mr. Bluestone later, but we have other materials that demonstrate that some 60 percent of all the new jobs that have been created over the period of the last six years have been jobs which provide wages below the poverty level. That is an extraordinary phenomenon. It is really the first time, certainly since the time of the Depression, that that has taken place.

With all due respect, discussions about compensation never take into consideration, increases in health costs and other factors which would diminish the creation of new jobs—basically poverty jobs. It amazes me that we even get people working in those poverty jobs while there are so many disincentives. In terms of being eligible for some of the existing programs, even when those programs are taken together, they would still be below the poverty line.

American people are prepared to work. I just asked my staff to try and get some ideas of recent job openings and what the numbers of applications have been. March 2nd, 1986, at the Memorial Auditorium in Buffalo, New York, there were 10,000 applications for 270 new jobs at a GE plant there. March 10, 1986, Clyde, Ohio, 1,500 people showed up for 200 jobs at a Whirlpool factory. January 11, 1983, 4,000 people showed up for 350 jobs at a Hyatt Regency Hotel. Those are not the kind of what we would consider high-tech, Route 128—495 jobs. These are in a Hyatt Regency Hotel, with all respect to Hyatt Regency.

In Kansas City, 3,000 people showed up at the Radisson Hotel for 250 new jobs. So American people want to work, and I think we do them a disservice if we think that we are really coming to grips with providing them the kinds of hopes and opportunities and putting them on a path which will permit them to be able to move on into new circumstances so that they can enrich their own lives, increase their own standard of living, and provide for their children.

I do not know whether you want to make a comment first of all on the question of what the new entry job levels are and what your own reaction to that would be.

Secretary BROCK. Well, a couple of thoughts. One, I think it is necessary to note the divergent trends of two forces at work in this country. One is the increasing skill requirements of employment. Of the new jobs that are being created, the majority of them require a higher level of cognitive skills, and yet at the same time, we have got another line of young people coming out of school with less skills. They are dropping out. And we have got an incredible, an insane travesty of about 700,000 young people getting a diploma every year who cannot even read the damn diploma. And that sort of gets your attention when you find out that we are not doing an adequate job there.

You cannot have, Senator, these two trends continue along that line without creating a two-class society, which is very dangerous to all that this country has stood for for 200 years. That is point number one.

Point number two, though, is that if we can provide those young people—or adult workers, for that matter—with the skills to hold those jobs, the jobs are going to be better jobs, cleaner jobs, safer jobs, happier jobs, more productive jobs. And I do not accept the statement that all of these people are working in hamburger stands. That is simply not factually correct. The majority of jobs that are being created are better jobs. The jobs that we forecast to be created over the balance of this century are substantially better jobs than people have today. And the fact is that if our young people can get into any entry-level job, I do not care where it is, they acquire that first level of job discipline that is necessary to holding a productive career for the future.

The CHAIRMAN. Well, with McDonald's, the 250 percent turnover, this idea that McDonald's and the fast-food are entry jobs into the work ethic and a way that is going to lead them to be presidents of corporations is something that I find unpersuasive, myself.

But if we can get an agreement with the Secretary of Labor and with the Administration that this is the phenomenon, I think we are a long way down the road, because we hear others in the Administration talking about the creation of new employment, and they take great pride in the reduction of two-tenths of one percent in unemployment, like we really do not have a national problem with unemployment. We have had a longer period of high unemployment now in these recent years than we have had in the history of our country, since the Depression.

The second point is on the minimum wage. You knew I was going to ask about it, I am sure. It is something I feel strongly about.

Taking 40 hours a week at the minimum wage is $134; after Social Security, $118. If you take the rule-of-thumb on housing, which is 25 percent—assuming they can get it at 25 percent, which I think is virtually impossible—that leaves $84. If you take the lowest 20 percent of urban consumer units—that is a standard which is used and recognized—and you take the lowest group, the lowest fifth, at $35 a week, that leaves $49.60 left. If you take energy and other household necessities, using the same lowest 20 percent, that leaves $16.50 a week, without dealing with clothing, without dealing with medicine, without dealing with health care, transportation, telephone, education, savings, including a set-aside for secure retirement.

Are you for raising the minimum wage?

Secretary BROCK. My predilection for a long time has been to give workers the skills with which to earn a whole lot more than minimum wage.

The CHAIRMAN. Please come a lot closer to that mike. I do not want to miss anything on this one. [Laughter.]

Secretary BROCK. I am not sure changing that law addresses the fundamental question. If they were given the skills to earn more than the minimum wage, we would have served them far more effectively for their well-being than statutorily changing the minimum wage.

I am willing to take a look at the minimum wage for different reasons, but I do not think that that is a fundamental answer to the problem. I think the fundamental answer to the problem is to provide a skill base for those individuals that will allow them to earn a heck of a lot more than that.

I do worry that we tend to take a one-shot approach like that as if it really does resolve the issue. It honestly does not. The majority of those people in the minimum wage group—there are about five million of them—there are about one-third of those, by the way, who make less than the minimum wage, because they are not covered by the minimum wage standards—but a very substantial number of those are young people who are living at home, and they do not have rent payments, and it is a first job for them to acquire that job habit, that job discipline that is necessary for them to be productive.

And I do worry that at least historically, there have been studies that showed a substantial increase in the minimum wage could result in the loss of employment for those young people who do not have adequate skills. So I think you have to be very careful with that.

The CHAIRMAN. Well, there have been six major studies. Two of them show there has actually been an increase in employment. And I do not want to take the time here. The point, I think, is that you can take those that are going part-time—I know we will hear the arguments that there is only a small number at minimum wage, a lot of them are part-time—but in the kind of review that we have been able to make, a great percent of them are women, increasingly heads of household, with all the problems we are facing with the feminization of poverty and that impact, what is happening to the children in those families that are living in those kinds of circumstances.

It just seems to me that I would accept that this is not the "silver bullet" that is going to solve our problem, but we do not want to make the enemy of the better the best, if we can make some progress in an important area that is going to have some impact in reaching individuals whose desire is to work. We are talking about workers. We are talking about people who want to provide for their families and who want to work in our system.

I would hope we will have a chance to exchange further on this.

Secretary BROCK. We will continue the conversation.

The CHAIRMAN. Yes, we will. My time has expired, and we will come back on some of the other, related issues.

Senator Hatch?

Senator HATCH. Thank you, Mr. Chairman.

Mr. Secretary, one of the major concerns I think all of us have is the impact of foreign trade on employment. I know you have discussed the issue before, and of course, I think you are uniquelyqualified to discuss it with us here today since you have had experience not only as Secretary of Labor, but also as our U.S. Trade Representative.

What do you think will be the ramifications for American workers if we actually, in this session of Congress, enact a more restrictive trade policy?

Secretary BROCK. Were the United States to impose on the world a protectionist policy of any substance, the effect would be the destruction of countless jobs, millions of jobs in the United States.

Senator HATCH. In America, or all over the world?

Secretary BROCK. Everywhere, but particularly here. I am an "America first-er," and I believe that we ought to worry about ours. If we do not take care of ours, we are not going to be able to take care of anybody else's. And if we start forgetting that there are eight or more million Americans whose jobs would be at risk with a protectionist trade policy, we are crazy. That does not mean we should not have an effective and aggressive trade policy, Senator. It does mean that we have to be careful in describing what we mean by "fair trade". If we mean that we are going to have protection for workers against unfair trade, as the laws now require, that is fine, and it should be done, and it should be done aggressively and effectively.

If it means we are going to pull down the shades and tell the rest of the world to go away because we do not like their competition, that is a very dangerous, shortsighted statement of capitulation, and I do not think the American people are ready to do that.

Senator HATCH. So I take it you are very concerned with some of the proposals that are being thrown around today?

Secretary BROCK. I certainly am.

Senator HATCH. Mr. Secretary, as a member of the Senate you helped to break down several barriers for women by sponsoring the Equal Credit Act and other significant legislation while you were here.

Now, as Secretary of Labor, what do you perceive as the remaining barriers to women in the workforce, in the workplace?

Secretary BROCK. There are several barriers, with different degrees of emphasis. There remains an element of discrimination in this society which is 50 years out-of-date, 100 years out-of-date, but it is still there, and that has got to be rooted out, by law and by leadership.

Beyond that, there is a problem that may even be more pervasive now. Forty-four percent of the American workforce is female. The overwhelming majority of women who work will have babies while they are at work—not at the workplace, but during their employment, hopefully. I do not think American business has even begun to think about the effect of that on the American family and what needs to be done to be sure that the advance of women into the workforce does not damage the American family in the process.

We have not given near enough attention as a country and as an economy to the fact that we need women. We are going to need them for the foreseeable future as productive workers in this economy. And they are either going to be single parents, or they are going to be in two-parent households where both parents are working. That is going to put stresses on the family that are not being accommodated very well by most people. And I think we need to pay more attention to that hazard. It means that we ought to be thinking more about whether there is adequate daycare provision, or whether there is an opportunity for flexible work schedules, things that allow them to accommodate their family circumstances and still be productive.

Senator HATCH. Oh, we are thinking about these things. Perhaps even home work; we might allow them that option as well.

Secretary BROCK. Sure, absolutely.

Senator HATCH. We are thinking about that. I think we have to address the child care problem, and I think we have to address it on this Committee as well as, perhaps, other committees. But I see a whole plethora of programs that need to be consolidated and brought together to help solve that problem. I hope we can provide some conservative leadership in that area as well.

Secretary BROCK. We would be happy to work with you.

Senator HATCH. The Chairman is having a great influence on me, but I think I have had a good one on him. We have worked pretty well together the last six years, and I hope these next two years will be good years. [Laughter.]

Let me ask you the same question with regard to teenagers and young people, our youth. If you were addressing a convention of all 16,000 of our school superintendents in this country, what comments would you make about our teenagers' ability to succeed in the workforce today? You did make some in your opening remarks, that we are going to run short of workers in the next 15 years.

Secretary BROCK. Senator, our children are not being well-served in this country today.

Senator HATCH. That is right.

Secretary BROCK. We went for 20 years, from 1963 to 1983, watching the reading, math, verbal communications skills of our children decline every consecutive year below the previous year for 20 consecutive years, and nobody got fired. And that is a gosh-darned shame. There is no excuse for it.

Now, we are beginning to pay attention to our educational system and the need for doing a better job. During those same years, in the last ten years, the amount of money given to teachers in the United States went from 48 percent of our total education dollar down to 38 percent. Now, where in the dickens is the money going? It, I think, says that we have got a lot of work yet to do.

If you want to tell a young person what to do to have a greater opportunity, tell him to finish school to begin with. If a young person in this country finishes high school, just high school, 90-plus percent—substantially over 90 percent—will have a guarantee that they will be living at double the poverty level, not at the poverty level, not below, but double, just by finishing high school. That is a virtual guarantee. And it says that we are not doing anything near enough to deal with the dropout problem, and even when we keep kids in school, we are not giving them an adequate education while they are there. I think that is shameful and something we as a country have got to do a better job at.

But it really is a matter of education, because better skills that are going to be requisite to the economy over the next 15, 20 years when these kids come out of school—every kid that is going to be in the workforce in the year 2000 is already in kindergarten right now. They are in school. And the jobs that are being created—there are two million jobs a year that are being created right now that are going to create a people shortage in this country in the next decade. These are jobs that require cognitive skills, or skills that you learn in school.

Senator HATCH. Well, you noted in your testimony we could actually be facing a worker shortage in the next two years. What industries, in your opinion, will be the hardest hit by this shortage of skilled labor, and what do you see as the aggregate future impact on the economy?

Secretary BROCK. Yes, I think you can prophesy with some accuracy here. First, the kinds of firms that are going to be hard-pressed are the kinds that right now depend upon young people for their entry-level jobs. They are going to have increasing competition. The military, the fast-food places, the retail establishments are going to have a tough time getting enough young people to do their jobs. What they are going to be doing is going to older people, in my judgment.

But the more crucial crunch is going to come in areas of increasing skill. And I am not just talking about people that work on computers. One of the interesting projections in our conferences was that 90 percent of the American people who work will be using a computer in some fashion in their work by the year 2000.

But what we have got in this country is that every, single industry is going to become a high-tech industry, or it is not going to be. The steel industry, the automobile industry, they are all going to have to move to robotics and numerically-controlled machine tools, to high-technology. And the skills to maintain that equipment, the repair skills, the technical skills, the administrative skills today are not there. They are not being taught.

Senator HATCH. Well, thank you. My time is up. I appreciate having you here and listening to your testimony.

Secretary BROCK. Thank you.

The CHAIRMAN. Senator Simon? We are looking forward to hearing Senator Simon testify in just a moment.

Senator SIMON. And I will not take very much time right now. Number one, I was pleased with your comments on education. I am ready to nominate you for the Secretary of Education.

Secretary BROCK. No, thank you.

Senator SIMON. In view of what you say about the importance of education, if you were putting a Federal budget together, would you cut $5.7 billion from the education program?

Secretary BROCK. I think the shift of support to more of one that is based upon income and the capacity to pay is not an illogical shift, because when we fund higher education by loans or by Pell Grants, we are increasing the employability and the earning capacities of those individuals. As their earnings go up, it seems to me they should be able to pay and willing to pay those loans back without subsidy. So I do not consider that a cut in the classic sense of cutting a direct support program.

But I would say this to you, Senator. There are none of us who do not have some disagreement with some elements of any budget, because we have different ideas about the priorities this country ought to have. For me, the priority is education and skill development, training. That is not only Bill Bennett's job, but that is mine.

But there are ways that, if you do not have the money, and we do not in Washington these days, that you can use your present dollars with effectiveness. You can say that we are not going to fund incompetence anymore, and we are going to reward excellence. There are ways that we can take a Federal dollar—and this is what we are trying to do with our approach—and leverage those Federal dollars to get greater support and more dollars at the local level.

So I am not sure it is a matter of the finite number as much as it is the policy that encompasses the number.

Senator SIMON. That was a very diplomatic answer, Mr. Secretary.

Secretary BROCK. The best I could do on short notice.

Senator SIMON. Just as a matter of comment, Senator Stafford and I would first of all differ with the impact that that cut in higher education is going to have; and second, when you talk about skills training and so forth, when you cut $900 million off vocational education, that is going to have an impact out there in the schools in Tennessee and Illinois and everywhere else.

Let me shift to one other subject.

Senator STAFFORD. Would the Senator yield just for a very brief observation?

Senator SIMON. Yes, I would be pleased to yield.

Senator STAFFORD. The $900 million coming out of vocational education is the entire assignment of money for that program, so that the Administration budget eliminates vocational education for fiscal year 1988.

I was going to ask that myself. I think that is a shame that that is occurring.

Secretary BROCK. Well, Senator, you see, you are not in my turf, so I am not really competent to comment—I do not mind commenting, even if I am not competent—I learned that in this body.

Senator HATCH. This is one of the great examples of executive bodies. [Laughter.]

Secretary BROCK. But I do not know what percent of the vocational education dollar is expended by the Federal Government. The overall education dollar is about 7 percent, and I would assume it is not too far different in vocational education.

So you are not cutting out vocational education. You may be removing the Federal component.

But by the same token I should point out that we are putting $980 million, Senator, into this new Worker Adjustment and Training Program, and that is a substantial increase of funding in precisely this area. We think we get a pretty good yield off that program.

Senator SIMON. Let me just say that Senator Stafford and I welcome your comments in support of education. Senator Stafford is absolutely correct. There is just no way you could knock out $900 million at the Federal level without having devastating impact elsewhere.

Since you are also a trade expert, and Senator Hatch has talked to you about this area, just one question here. There is a concern that some of us have that the pendulum is going to swing from one extreme to another; that there has to be a middle ground. But I would hope as the Secretary of Labor and as someone very knowledgeable in the field of trade, that you would help us to achieve that middle ground.

My observation is that we need much more coordination in the whole trade area, and it has to become a greater priority of this Administration.

If I can just use a specific example, Keystone Steel and Wire in Peoria makes nails. The nails go into Canada; Canada charges us 50 cents per hundred-weight. They come from Canada to the United States, and we charge Canada five cents per hundredweight.

Now, I am basically a free trader. But I have to say I had a hard time defending that policy to workers in Peoria. And it seems to me if it is five cents on one side, it ought to be five cents on the other, if it is 50 cents on one side, it ought to be 50 cents on the other.

Does that strike you as unreasonable?

Secretary **Brock**. No. And I dc not disagree with you on the need for some centrist approach. Let me make two points. One, with regard to the specific instance of Canada, we are negotiating with the consent of the Congress, a free trade agreement with Canada that would eliminate the tariff both ways, which would create jobs on both sides of the border and make us more competitive with other countries in the rest of the world. That is a very good thing to be doing. It would be good for Peoria, it would be good for everybody.

So I think in that instance, we would respond to your particular question. But more fundamentally, Senator, having held that trade job, I want to just point out to you that it is almost impossible to have precisely the same rate of tariff in this country as every other country has. We would have to have a different rate of tariff for every item, for every country. And we would have economic chaos in the world.

What we have done over the years, starting back with John Kennedy, in the Kennedy Round, was to try and negotiate reductions of all tariffs on a regular basis. But what we did was we would go to those negotiators and we would say, "This is important to us." In those years, it was agriculture. Other countries would say something else was important to them. And so we would give up something in order to get something where it was important to us. And that is why you get this differences in tariff rates between two countries that are essentially equivalent, like the United States and Canada, in their basic economic mix.

It is very difficult to come up with any answer to that that would require us to have the same rate for every commodity by country. I do not know how you would do it, to be honest with you.

Senator **Simon**. I understand. And I would just urge you to continue your interest in this field and try and help achieve some greater balance. I think clearly greater balance is needed.

Secretary **Brock**. I will try to do that. Thank you.

Senator **Simon**. I thank you, Mr. Secretary.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Simon.

Senator Stafford?

Senator STAFFORD. Thank you, Mr. Chairman. I will yield for just a minute to my friend, Senator Cochran.

Senator COCHRAN. Thank you very much, Mr. Chairman.

Let me just say that I will join others in welcoming Secretary Brock to the hearing today. I compliment him on the excellent job he has done as our Secretary of Labor. I think he has provided strong leadership in helping to solve the problems we face with the new technologies and the other difficulties that face workers being displaced and compliment you on the new program that you have announced today.

Secretary BROCK. Thank you, Senator.

Senator COCHRAN. Mr. Chairman, I have a statement regarding the disparity that exists among regions of the country and the difficulties that the Deep South faces at this particular time in trying to provide jobs for a growing labor market, and how this differs from some areas such as Virginia, where there is an unemployment rate about one half of what it is in my State, and they do not have enough workers to do the jobs that are becoming available.

Mr. Chairman, I would like to ask unanimous consent to include that statement and a copy of an article that appeared in the Washington Business section of the Washington Post yesterday, an Associated Press story, describing this situation.

The CHAIRMAN. We will be glad to include that as a part of the record.

Senator COCHRAN. I thank the Chairman very much, and I thank the distinguished gentleman from Vermont.

[The prepared statement of Senator Cochran and the article referred to follows:]

STATEMENT OF SENATOR THAD COCHRAN

"NATIONAL EMPLOYMENT GOALS"

JANUARY 13, 1987

AN INTERESTING ASPECT OF THE CHALLENGE WE FACE OF PROVIDING JOBS FOR AMERICA'S LABOR FORCE IS THE DISPARITY IN THE NUMBER AND THE QUALITY OF JOBS AMONG THE VARIOUS REGIONS OF THE COUNTRY. IN THE DEEP SOUTH, FOR EXAMPLE, THERE ARE AREAS OF CHRONIC AND VERY HIGH UNEMPLOYMENT AT A TIME WHEN HUNDREDS OF THOUSANDS OF JOBS ARE BEING CREATED ELSEWHERE.

THE DEPRESSED CONDITIONS IN THE OIL AND GAS INDUSTRY AND IN AGRICULTURE ARE OFTEN CITED AS REASONS FOR MY STATE'S UNEMPLOYMENT RATE, WHICH IS OVER 10 PERCENT. BUT, THERE IS ANOTHER REASON. TOO MANY ABSENTEE PLANT OWNERS HAVE FOUND MORE ATTRACTIVE WAGE SCALES IN DEVELOPING COUNTRIES, SUCH AS THE PHILLIPPINES, KOREA, TAIWAN, AND MEXICO. WE ARE LOSING JOBS IN MISSISSIPPI BECAUSE PLANTS ARE CLOSING AND THE MINIMUM WAGE JOB IS GOING OVER SEAS TO THOSE WHO ARE WILLING TO WORK FOR LESS.

Another Southern state has a different kind of problem. In Virginia, the rate of unemployment is about 5 percent. There is a fear that there will not be enough young workers in this state to do the jobs that will be available for them over the next several years.

I invite the attention of my colleagues to an Associated Press article which was carried in the business section of the Washington Post yesterday, January 12, 1987.

WASHINGTON BUSINESS/JANUARY 12, 1987

Va. Tech Instructor Sees Youth Labor Shortage

Associated Press

BLACKSBURG, Va.

The United States is facing the beginning of a youth-labor shortage that is likely to raise the pay for undesirable jobs and cut enrollment at some of the nation's colleges and universities, a Virginia Tech instructor says.

Daniel Vogler, associate professor of education, said fewer than 3 million teen-agers will graduate from U.S. high schools next year, and about half of those will go to a post-secondary school. Labor Department statistics show that the United States gains about 1.5 million jobs a year, he said.

Women hold nearly half the jobs in the United States, Vogler said. And enough time has passed since the retirement age was raised for older Americans who want to work to be absorbed into the work force, he said.

"We're going to experience a labor-force shortage that could have several implications," said Vogler, coordinator of graduate programs in administration and education services. "Wages will go up. Business and industry will be competing with colleges for the same 18-year-olds. Unless colleges do something, the percentage of students they attract will go down."

The decline in 18-year-olds will last for about eight years, until students now in the fourth and fifth grades graduate, he said. Those classes are larger than the ones preceding them, said Vogler, who has conducted workshops for school administrators in Georgia, Michigan and New York.

Roy Pearson, director of the bureau of business research at the College of William and Mary, said the drop in high school graduates may coincide with an increase in productivity that could help counteract a youth labor shortage. Fewer people will be entering the work-force, he said, but businesses will have a greater percentage of skilled, experienced employes.

With roughly a 5 percent unemployment rate, Virginia has been better off than many states and might feel more of a pinch from a youth labor shortage, Pearson said. But the bureau is predicting the state's employment growth will slow during the next two years, he said.

Virginia has roughly 2.5 million nonagricultural workers this year, Pearson said. Next year, he said, the bureau estimates that the commonwealth will gain about 60,000 jobs.

Last spring, 63,113 Virginians graduated from public high schools, according to the state Department of Education. Officials did not have figures on private school graduates.

Dean Griffin, director of legislation for the American Vocational Association, said the youth job shortage will be felt more in some areas than others. With the depressed oil industry keeping unemployment rates high in Texas and Louisiana, for example, a declining number of high school graduates should not be a problem, he said.

"This also has implications for national competition," Griffin said. "There is a tendency for countries to look to other countries when they are establishing plants. If there's a continued shortage of workers here, firms are going to go to other countries."

Pearson said the declining number of young people entering the job market is being felt in Williamsburg, where the tourist industry has had some trouble filling seasonal jobs. Some businesses are hiring more full-time people and older residents as a result, he said.

Japan and West Germany have experienced youth labor shortages, Vogler said. West Germany solved the problem with migrant workers, he said, while Japan created partnerships between business and education.

Vogler believes the United States is likely to take Japanese route. Businesses will offer educational incentives to attract good young employes, he said. That will keep post-secondary enrollments up and ensure that businesses get workers increasing competency.

The declining number of high school graduates offers the United States an opportunity to improve the economic conditions of blacks and other minorities, Vogler said. The unemployment rate among black urban youth is four times the national average, he said, but schools are going to have to provide the kind of education that will make these youngsters employable. ■

The CHAIRMAN. Before the Senator leaves, I would indicate that even though we come out in those disparities as a region of the country doing quite well, we are not immune. Yesterday we found the announcement of the loss of 2000 industrial workers just north of Boston, in Lynn, Massachusetts. For the most part, these are advanced workers having a high degree of training and skills. Additionally, we are feeling this tightening in terms of employment even in some of those areas which are considered more prosperous.

But I thank the Senator from Mississippi and appreciate his presence here.

The Senator from Vermont.

Senator STAFFORD. Mr. Chairman, I thank you, and I join in welcoming the Secretary of Labor here. I recall in the not-too-distant past that we were seatmates in the United States Senate, and we miss you from another activity that you and I have enjoyed over on the Chesapeake Bay.

Generally, I think you are doing a very good job, Mr. Secretary. I listened to part of your statement which I was able to arrive in time to hear, and I have read the rest of it in the meantime. I had not intended to get into the issue of education, or vocational education, until it came up this morning. I will say that the Director of the Office of Management and Budget was not able to defend the proposals for the educational budget very well himself, in the opinion of a lot of people, the other day.

And looking at the challenge of the year 2000, I am reminded that for somebody 73 years old and those of that era, just getting there is a considerable challenge.

On page 6 of your statement, at one point you say that, "Job creation will continue to predominate in the service sector. The Bureau of Labor Statistics estimates that 90 percent of the new jobs created will be in the service sector."

And then, on the same page, two paragraphs later, you say that, "New jobs in the economy will strongly favor the most educated sector of the labor force."

I have just a little difficulty in reconciling those two thoughts, since jobs created in the service sector usually are not anywhere near as high-paying, or do they demand the skill, it is my impression, as do other jobs. So I have a little trouble, and maybe you could explain it, reconciling a vast increase in service entry-type jobs and the statement that the new jobs will favor the most educated sector of the labor force.

Secretary BROCK. Senator, there are a couple of answers to the question. First, in very broad terms, service industry pay has gone up much faster than pay in other areas—almost 50 percent faster. So that old disparity that used to exist is less and less valid. You still have low-paying industries—textiles, shoes, for example—you still have low-paying areas of the service industry, like retail trade.

But the majority of the new jobs that are being created—in the last year there were virtually no new jobs created in fast-foods—I am sorry, in the last monthly statement that we came out with. The increases were all in accounting, real estate, banking, and those are pretty high-skilled jobs and higher-paying jobs.

We have had a very large increase in the low-wage area, fast-foods, for example. But it is my belief that we may have pretty well run the string on the surge, that degree of surge, anyway, and the future jobs that we see coming are jobs that are going to require a higher level of skill, a higher level of cognitive skill, particularly, and will effectuate a higher level of remuneration as well.

Senator **STAFFORD**. Thank you very much.

Thank you, Mr. Chairman.

The **CHAIRMAN**. Thank you very much.

Senator Harkin?

Senator **HARKIN**. Thank you, Mr. Chairman.

Mr. Secretary, we have not had the opportunity to meet before, we have never met before, and I just wondered what your concept is of the rights of people to have employment. Is the right to a decent job, the right to housing, and the right to shelter and food, are those basic, fundamental human rights?

I just want to know where you are coming from.

Secretary **BROCK**. You have a right to seek those things. I do not think you have a right to demand they be provided.

Senator **HARKIN**. In other words, it is not a basic, fundamental human right that people ought to be provided a decent and nutritional diet. It is just their right to seek that, that is all.

In other words, society should not have anything to do with providing those things.

Secretary **BROCK**. I think society has a number of obligations that do not go to rights; I think there are obligations. But I do not recall anything in the Constitution about the right to a job.

Senator **HARKIN**. I am sorry?

Secretary **BROCK**. I do not recall the Constitution establishing a right to a job.

Senator **HARKIN**. I am saying it is not in the Constitution. I am just asking what your own concept of it is.

Secretary **BROCK**. I think we as a society have an obligation to provide the maximum opportunity that we can to our citizens, and that requires us to deal with issues ranging from jobs to health to nutrition, education, all of those. Those are things that we have to offer as best we can, within the constraints that we have.

Senator **HARKIN**. I guess when you say it is just the people's right to "seek" those things, well, then, I think it is the government's responsibility to ensure that they have the avenues open to receive those. It is all right to tell someone that they have the right to seek a job, but if they do not have the basic educational skills, if they do not have the training, if they do not have the nutritional support that they need when they are young, or perhaps even before they are born, what good does it do to say they have the right to seek a job? That does not make any sense.

Secretary **BROCK**. We are not in disagreement so far.

Senator **HARKIN**. OK. I just wanted to know where you were coming from.

Secretary **BROCK**. OK.

Senator **HARKIN**. I want to shift just a little bit. We have talked about the type of work, we have talked about wages. I have not heard much talk about what is happening to the minorities. I see all the people that are coming before the Committee today, talking about the biggest loss has been among white workers entering the workplace and taking these low-wage jobs, but not much has been said about the minorities and the blacks, who were at the bottom when it started and who were pushed even further to the bottom, because of the interests of these low-wage jobs. I have not heard anybody even talk about that.

My main point that I want to make is just this. There is a lot of talk about the type of work, a lot of talk about the wages. I have not heard anyone talk about the length of work yet, the length of work.

In the olden times, it was common for people to work 15 to 18 hours a day, seven days a week, all year long. Then the Industrial Revolution came along, and we found we could do those jobs in a shorter period of time. In agriculture, the advent machinery over horses shortened the workday for the farmers; the same in the industrial workplace.

So 50 years ago, this country passed the 40-hour work law, and it has been part of our system now for 50 years, the 40-hour work week. But I do not know where it is written in stone that we have to abide by that forever and ever.

We have made great advances since that time, in all areas, to the point now where a lot of work can be done in a very short period of time. Isn't that what the computer revolution was all about, to give people more leisure time?

I guess what I want to ask you is, isn't it time that we look at the 40-hour work week and say that it is indeed obsolete, that perhaps we ought to move to a 32- or a 35-hour work week? Would that be something that you might want to contemplate?

Secretary BROCK. Not in the least.

Senator HARKIN. Why not?

Secretary BROCK. Well, for two or three reasons. First of all, if you ask the American people do they like their work hours, would they like what they have got, more, or less, the overwhelming majority like what they have got. The majority of those who do not like what they have got want more, not less.

The average work week in this country is 40.9 hours today, which in effect says we are producing about—well, to put it a different way, we have people working part-time; there are about 14 million of them. Of those, two-thirds are doing it by choice; one-third would like to work more hours, but they just do not have the opportunity. They probably are people who have been displaced because of some change——

Senator HARKIN. Yes, yes. They want to work just because they want to work.

Secretary BROCK. Yes. But I remember going over to a conference in Europe—well, I have done it quite a bit in the last five or six years—first, as Trade Representative, and more recently in this responsibility. And I remember having a discussion about the 35-hour week in Germany, and they were discussing it in a couple of the Scandinavian countries—some of the politicians were, anyway. And the reason they were talking about a 35-hour week or even a 30-hour week was that they said, "We will never solve our unemployment problem; therefore, we ought to share the misery." And I thought that was just strange, because it seems to me that, or at least in my conversations, I said if you are going to allow people to work only 35 hours, are you going to pay them for 40, or are you just going to pay them for 35, which would mean——

Senator **Harkin**. By the way, read the history of the 40-hour work week. That was the same argument that was used in those days, too.

Secretary **Brock**. I am not making an argument. I am just asking the question.

Senator **Harkin**. That is spurious. It is spurious. Of course, you pay them a living wage. You keep the same kind of system that we have in place.

Secretary **Brock**. I see. And then, if more Japanese cars come in, we have to provide more protection, which means that we further——

Senator **Harkin**. Oh, I see what you are getting at now.

Senator **Brock**. We are part of a global economy, Senator. We are not part of some closed society, here. We are part of a world.

Senator **Harkin**. I see. Labor is an item of commerce to be bid down to its lowest common denominator.

Secretary **Brock**. Now, come on. Do not make statements for my behalf. I will not make them for yours.

Senator **Harkin**. Well, it seems like that is just what you are saying.

Secretary **Brock**. No, it is not.

Senator **Harkin**. You see, I do not think labor is an item of commerce to be bid down.

Secretary **Brock**. Well, good.

Senator **Harkin**. There is always some poor S.O.B. someplace in the world who is more hungry, who needs a little bit more subsistence, who is willing to work for less than somebody else. There is always that individual out there. If you want to, you can bid labor down to nothing, because there is somebody who is hungry, who is a little bit worse-off than you are, who is willing to work for less than you are. You can take that right down to nothing.

Secretary **Brock**. Has anybody suggested that recently here?

Senator **Harkin**. Well, you are saying that we cannot pay people the same living wage we have now for 35 hours a week, and I am saying I think we can, if we want to. And I further believe that what we could do is to take that one day that people are not working on their jobs, if we have a 32-hour work week, and have one day of an education day per week, where the private sector along with government join together to provide for that individual on that one day that they are not working on the job, to provide one day of education for that person—whatever field. It may be education at local community colleges; it may be vocational education; it may be what Senator Simon has proposed in his book, where they go out and tutor other people, but it is geared towards education—one day a week of education in this country, rather than working in the workplace.

In reading the history of the 40-hour work week when it came up so many years ago, the same arguments are being made today why people cannot work less, the same kinds of arguments.

Secretary **Brock**. Oh, they can work less, as long as they earn less.

Senator **Harkin**. I beg your pardon?

Secretary Brock. They have an absolute right to work less if they want to, an absolute right.

Senator Harkin. Well, people can work more, too. They can work more than 40 hours. A lot of people work more than a 40-hour work week; sure they can.

Secretary Brock. That is right.

Senator Harkin. But the standard, the standard is a 40-hour work week.

Secretary Brock. Why should we tell them they cannot work more?

Senator Harkin. People can work more if they want to. And you are talking about all these people with part-time jobs that want to work more I tend to think if they made a decent wage, that they might want a little bit more leisure time, a little bit more time to themselves and their families, and to do other things, rather than just put their noses to the grindstone for 60 hours a week.

Secretary Brock. Senator, if you would ask them, you would not get that answer, because we have.

Senator Harkin. I do not believe that. I have asked them. I come from that area. Now, people do like to work, and people want to work, but they want to get paid for what they do. And the people that want to work more in our society simply want to do it because they are not making enough to provide for their families in our society. That is why they want to work more—not just for the sheer joy of it.

So I really think we ought to take a look at the length of the workday and think about taking one day off a week and using it for education, and break down these old myths that we have, that somehow, 40 hours a week is just written in stone, and we have to abide by it.

Thank you, Mr. Chairman.

The Chairman. Thank you very much.

We will move on, but in listening to your exchange with Senator Harkin in terms of whether it is a right, or just a right to pursue the opportunity, I think the right to pursue an opportunity becomes kind of a false promise to many in our society, if the schools in those neighborhoods are chaotic, if there is virtually no employment, if the housing is completely inferior and dilapidated, and little health care is available, or at costs which are unreasonable, then it becomes kind of a hollow promise.

Secretary Brock. Mr. Chairman, I agree with you, but I think it would be remiss if I did not point out that that is precisely what I am trying to address with the proposals that I have made to you. I have proposed that we go into the AFDC youth areas with special programs. I have proposed that we come in with a substantial increase in training.

The Chairman. Good. Just a couple of points to wrap up. I mentioned the 2,000 layoff in the General Electric plant, with highly-skilled individuals, in a part of our country where we are now at about 3.6 percent unemployment. These are older workers, skilled workers, and this is just in one part; up in Pittsfield, Massachusetts, a similar case. I would just be interested to see whether those kinds of programs that you are talking about really relate to these kinds of individuals. I will not take the time of the hearing, but I would like to talk with you at greater detail on this type of problem.

Secondly, we did not get into the question of the worker loan program, and I am hopeful that we will have that opportunity, and I will submit questions on that issue, whether we can use the knowledge and understanding that we have had on the student loan program and translate that into some opportunities for workers to be able to develop the kinds of skills and training to then be able to move on into other kinds of job opportunities and repay this.

Another item is in the daycare area, which is absolutely a key element in terms of, I think, employment in our society. As you mentioned, it is key in terms of the second member of the family working, and as we put a value in terms of our system on the family. You were also talking about stress and tension, enormous stress and tension, on any kind of family with the denial of daycare. You know the statistics where people go out and work and still are paying for daycare, and the margin that they take home in terms of their own needs is frighteningly low.

We have got to come to grips with that, hopefully, in the very near future, and we are going to be interested in finding out what can be achieved.

Finally, Mr. Secretary, I did not quite press you about the increase in the minimum wage. I will take note of that. I would rather have what might be considered an equivocal answer rather than one with which I might not agree, in terms of the rise of the minimum wage. So I will just let you know that we will have a chance to revisit that, I am sure, during the course of this Session.

Secretary BROCK. Good. Thank you.

The CHAIRMAN. If there are no further questions, I want to thank you.

Any of the other members who would like to submit questions to you, we will make those a part of the record. We are going to keep the record open in terms of these hearings for the next two weeks, until the February 6th recess, so that people can ask questions, and we will get responses by that time.

Secretary BROCK. I will be delighted to respond, and I thank you for your time. I am glad to be with you.

The CHAIRMAN. Thank you very much.

We are delighted to have our colleague and friend, Senator Simon, who will make a presentation to our Full Committee. He is the author of a book on employment, and has been concerned not only with the issues of employment, but issues related thereto.

We welcome you here to the Committee. You are obviously among friends.

We will have order, please. We will ask our guests if they would be kind enough to be seated and move quietly.

[Pause.]

The CHAIRMAN. We will be seated, please. The Senator is entitled to be heard. We ask nicely, and then we insist on it.

Senator Simon?

STATEMENT OF HON. PAUL SIMON, A U.S. SENATOR FROM THE STATE OF ILLINOIS

Senator SIMON. I thank you, Mr. Chairman.

I do not think I have ever been a witness before our Committee before, but let me just briefly describe the problem of unemployment as I see it and what we ought to be doing about it.

The new word is "competitive." The Commission appointed by President Reagan and headed by John Young, said, "Our ability to compete is eroding." There is no question about it. And we have a human tragedy.

You heard figures about more people working, but the reality is last year, unemployment in this country was 7 percent. That means by the time you count the discouraged worker, that is 10 million people out of work, two-thirds of them out of work more than five weeks. One percent unemployment loss—the figures vary—but the loss to the budget is $25 to $38 billion. I have just put, arbitrarily, the figure of $35 billion.

You have in addition a growing, potentially explosive situation, that I do not think we are aware of right now. The difference between the top 10 percent in our population income and the bottom 10 percent is now 14-to-1, higher than any Western democracy other than France, and it is growing. The disparity in West Germany is 5-to-1; the disparity in Japan, less than 5-to-1.

The Chicago Tribune wrote recently, "Politicians, black and white, generally have been too timid to face the problem of the underclass or even to recognize it publicly." I hate to say it, but I think they are right.

One of the things that is also happening is that the poor are moving into our cities more and more. We are using our cities to warehouse the poor. Now the question is what should we do.

First, I think basically, we have to get hold of fiscal policy and get our budget moved more toward balance. We have to stress education, and we have to get hold of trade policy. We have talked about two of those three this morning.

My belief is the next great step forward we are going to take as a nation is to guarantee a job opportunity to every American, and we can do it.

What are the unemployment rates in other countries? Switzerland, for example, has an unemployment rate of less than one percent; Japan, 2.6 percent; Italy, 5.6 percent. You can go on and on. The Soviet Union and China—and I recognize I do not like their system—but one of the things I find, and I have been dealing with the Soviets a great deal, trying to get people out, but when I talk about human rights, one of the things they talk about is the unemployment that we tolerate in our country. And let us face it, maybe they are right in that criticism.

The question we face is, if the Soviet system and the Chinese system can guarantee a job opportunity to everyone, can a free system do it? My answer is: Absolutely.

You have two trend lines, and I do not think these trend lines are going to change. One trend line is the demand for unskilled labor is going down, and the second trend line is the pool of unskilled labor is going up.

That means something we have not faced up to, that unemployment is a permanent part of our society today. We are still living under the myth that just around the corner, the private sector is going to provide enough jobs. I wish that could be the case.

I used to be in business. But I think, since we are not going to let people starve, we now face the choice of paying people for being productive or paying people for being non-productive. And I think it makes infinitely more sense to pay them for being productive.

So the end of this month or early next month, I am going to be introducing a Guaranteed Job Opportunity Program. It would be for those who are out of work five weeks or more, and it would not simply cover those who are on welfare.

Right now—you mentioned that GE plant in Pittsfield, Massachusetts. Right now, when those people run out of unemployment compensation, they have to become paupers before we help them. I think somebody who works in a GE plant or a coal mine, or a farmer in Iowa or a miner in Vermont, once you are out of work and out of resources, there ought to be some kind of basic opportunity that we give you so you do not have to become a pauper.

So my program will suggest that we would give the highest of one of these three: 32 hours at the minimum wage, which is $107 a week, or $464 a month—and incidentally, that is higher—and this is one of the myths that is out there—that is higher than the average welfare payment in all but three States—or, 10 percent above what you would get on welfare; or, 10 percent above what you would get on unemployment compensation.

You would be required to continue to try and seek a job in the private sector. Unlike CETA, it would be project oriented.

What would people do? First of all, one of the phrases I do not want to hear is "dead-end jobs". "Dead-end jobs" is a phrase used by white-collar workers to denigrate people who do very productive things. Some people would say sweeping up this room is a dead-end job. Let me tell you, the person who sweeps up this room does more maybe in a constructive way than a lot of people in these white-collar jobs who talk about dead-end jobs.

Literacy. There are 23 million functionally-illiterate Americans. I was in Peoria the other night, at a call-in program. A man called in who was a college graduate on welfare. Why don't we take him and put him to work, teaching people who do not know how to read and write?

We have parks that need help, landscaping, daycare centers; graffiti can be removed from subways; tree planting. I have not been in a community yet that does not need sidewalks repaired. There are all kinds of things. And there would be screening.

We talked, when Secretary Brock was here, about the need—and Senator Harkin talked about it—the need for improving education. Part of this program, if you apply for these jobs, and you do not know how to read and write, we are going to get you into a program where you learn that. If you have a third grade reading level, let us upgrade it. If you do not have a marketable skill, let us give you one.

Now, inevitably the question is what is it going to cost. First of all, I would say you have to face the question of what does it cost not to do it, because the cost in human tragedy—and you mentioned my book, and I thank you for that plug, Mr. Chairman—in that book, I interviewed 28 people who were willing to talk for the record about their unemployment. And as you start talking to them, all of a sudden, you see that tragedy.

Here is a man, 53 years old, in Hanover Park, a suburb of Chicago, whose daughter is threatening to commit suicide because of the family situation.

Here is Willie Morris, in Chicago, the oldest of five children, all living with their mother. He told me, "My mother does not know this, but last week I did not eat two days because I did not want to take away from my younger brothers and sister."

That should not happen in this country. That is part of the cost. But the cost in dollars is $8 billion a year at the outside.

Now, that sounds like a lot of money, and I recognize in this day and age it is a lot of money. But before coming here, I came from Secretary Weinberger testifying before the Budget Committee. The increase in the budget requested over what we are appropriating with the reductions we have made on defense is $32 billion. What I am talking about is one-fourth of the increase that we are being requested in defense, to guarantee every American a job.

The CHAIRMAN. One less aircraft carrier.

Senator SIMON. Exactly. One less aircraft carrier.

Senator STAFFORD. Would the gentleman yield once again?

Senator SIMON. Yes.

Senator STAFFORD. It occurs to me that the increase we have requested in the defense budget of that figure is more than double the entire proposal of the Administration for educational programs of any type in fiscal year 1988.

Senator SIMON. You are absolutely correct.

The CHAIRMAN. You can have some more time, Senator Stafford, if you wish. [Laughter.]

Senator SIMON. I know it still sounds like pie-in-the-sky to a lot of people to guarantee a job opportunity to every American. But it can happen, and let me just quote from the Bishops' statement on the economy, just two sentences: "Achieving the goal of full employment may require major adjustments in creative strategies that go beyond the limits of existing policies and institutions, but it is a task we must undertake. We recommend that the nation make a major new commitment to achieve full employment."

I think the Bishops are right. Who benefits from this? Obviously, the unemployed do. They are not going to get rich at $107 a week, $464 a month. But they are lifted a little bit.

Business benefits, one of the major beneficiaries. You can look at any business, what they pay in unemployment compensation today, and with that added surge that would help. Labor benefits—you are going to have a lot of labor supervisory jobs, you are going to have that added income and help to the economy. Plus you help productivity in this country. We are all talking about it. You upgrade the skills of our most basic resource.

We just had a report three weeks ago from the National Academy of Sciences on teenage pregnancies. One of the things that hit me as you look at areas with high unemployment, inevitably you have high teenage pregnancy. There is a tendency on the part of many whites to view teenage pregnancies as a black phenomenon.

When you look—and I did specifically in the State of Illinois—when you look county by county at the unemployment rates, every county, without exception, with a high unemployment rate, whether it is white or heavily black, has a high teenage pregnancy rate, and the whole area of crime.

Finally let me just add one observation. I have been in this political arena some years, and it is my observation that the great division in our society is not between black and white, not between Hispanic and Anglo, not between rich and poor; the great division is between people who have hope and people who have given up. And we have too many people in our society who have just given up. We ought to give them the spark of hope. The two things that give them that spark of hope are, number one, a job, or number two, seeing themselves move ahead educationally or seeing their children do it. And I hope we recognize this problem of unemployment is not simply like the weather.

I guess finally, Mr. Chairman, there are two myths out there. One is unemployment is like the weather, and there is nothing you can do about it. The second myth is that anyone who really wants a job can get a job. They are both wrong, and we have got to deal with both of them.

I would be happy to answer any questions.

[The prepared statement of Senator Simon with attachments follow:]

TESTIMONY OF SENATOR PAUL SIMON
BEFORE THE COMMITTEE ON LABOR AND HUMAN RESOURCES
JANUARY 13, 1987
NATIONAL GOALS IN EMPLOYMENT

GOOD MORNING MR. CHAIRMAN AND MY COLLEAGUES ON THE COMMITTEE ON LABOR AND HUMAN RESOURCES. I AM PLEASED TO JOIN YOU AND THE DISTINGUISHED SECRETARY OF LABOR, BILL BROCK, AS WE EXPLORE ONE OF THE MOST IMPORTANT ISSUES FACING THE NATION THAT COMES WITHIN THE JURISDICTION OF THIS COMMITTEE.

I WANT TO BEGIN BY COMMENDING SECRETARY BROCK FOR HIS THOUGHTFUL LEADERSHIP IN THIS AREA AND FOR HIS DEMONSTRATED COMMITMENT TO EXPANDING EMPLOYMENT OPPORTUNITIES FOR ALL AMERICANS. WHILE I HAVE SERIOUS DISAGREEMENTS WITH A NUMBER OF AREAS IN THE PRESIDENT'S FY 1988 BUDGET, SECRETARY BROCK IS TO BE CONGRATULATED FOR 'WINNING THE BUDGET WAR' AT OMB AND BRINGING TO US A BUDGET OF WHICH THE NATION AND THE MEMBERS OF THIS COMMITTEE CAN BE PROUD. ALTHOUGH I HAVE NOT COMPLETED A FULL EXAMINATION OF THE PROPOSALS IN THE EMPLOYMENT AND TRAINING AREA, MY PRELIMINARY VIEW IS THAT WE ARE MOVING IN THE RIGHT DIRECTION.

THERE IS, HOWEVER, A LONGER TERM EMPLOYMENT PROBLEM THAN JUST THIS YEAR'S OR NEXT YEAR'S BUDGET. ETCHED IN THE WALLS ON THE HOUSE SIDE OF THE CAPITOL ARE WORDS WHICH DESCRIBE WHAT MADE THIS NATION GREAT. "LABOR IS DISCOVERED TO BE THE GRAND CONQUEROR; ENRICHING AND BUILDING UP NATIONS MORE SURELY THAN THE PROUDEST BATTLES."

THE PROBLEM

UNEMPLOYMENT WILL NOT DISAPPEAR BY WISHING IT AWAY, BY A POLICY OF DRIFT AND HOPE, BY MAKING PIOUS SPEECHES ABOUT IT. DOING A POLITICALLY SAFE BALLET DANCE AROUND THE ISSUE WILL NOT SOLVE IT. WE NEED TO MARCH ON THE PROBLEM BECAUSE A MASSIVE WASTE OF HUMANITY IS TAKING PLACE EACH DAY, AND THAT WASTE IS SLOWLY BUT CERTAINLY ERODING OUR ECONOMIC FUTURE.

THE NATION HEARD EDITORIAL CHEERS WHEN THE UNEMPLOYMENT RATE DROPPED TO 7.2 PERCENT FOR 1985, BUT BETWEEN THE GREAT DEPRESSION AND 1980 THERE WERE ONLY TWO YEARS (1975 AND 1976) WHEN THE UNEMPLOYMENT RATE WAS THAT HIGH. ALTHOUGH THERE HAS BEEN SOME MONTH-TO-MONTH VARIATION IN JOBLESSNESS, THE OVERALL UNEMPLOYMENT RATE HAS INCREASED BY MORE THAN ONE PERCENTAGE POINT EACH DECADE SINCE 1950. OUR COLLEAGUE SENATOR DANIEL P. MOYNIHAN HAS ACCURATELY NOTED, "RATES OF UNEMPLOYMENT THAT WERE THOUGHT INTOLERABLE IN THE EARLY 1960s ARE THOUGHT UNATTAINABLE IN THE 1980s."

UNDER THE LEADERSHIP OF PRESIDENT HARRY TRUMAN, CONGRESS PASSED THE FULL EMPLOYMENT ACT OF 1946, MAKING A COMMITMENT IN WORDS TO PROVIDE EMPLOYMENT OPPORTUNITIES TO ALL AMERICANS. TRUMAN THEN WAS WORRIED ABOUT ONE MILLION PEOPLE UNEMPLOYED. FORTY YEARS LATER, WITH TEN MILLION PEOPLE UNEMPLOYED, THE HOPE AND THE PROMISE OF THAT ACT REMAIN UNFULFILLED.

NOTHING RESTRICTS THE FUTURE AS MUCH AS OUR FAILURE TO USE OUR HUMAN RESOURCES MORE FULLY. WHY HAS JAPAN MADE SUCH

TREMENDOUS STRIDES, MOVING FROM INCOME THAT WAS 5 PERCENT OF THE AVERAGE AMERICAN'S INCOME IN 1950, TO 67 PERCENT IN 1984? JAPAN, A NATION THE SIZE OF CALIFORNIA AND HALF OUR POPULATION, HAS FEW NATURAL RESOURCES. YET JAPAN HAS SURPASSED MOST NATIONS IN ECONOMIC GROWTH THROUGH DEVELOPING IDEAS AND HUMAN POTENTIAL. JAPAN HAS ANNOUNCED A GOAL OF HAVING THE WORLD'S HIGHEST PER CAPITA INCOME BY THE YEAR 2000, AND FEW CONTEST THAT POSSIBILITY.

FOR THE UNITED STATES TO FAIL TO UNDERSTAND THE NEED TO DEVELOP IDEAS AND HUMAN RESOURCES MUCH MORE FULLY IS NOT SIMPLY ECONOMIC FOLLY, NOT SIMPLY LACERATING OURSELVES WITH SELF-INFLICTED WOUNDS, IT IS CAUSING UNTOLD AND NEEDLESS AGONY ACROSS THIS GOOD AND RICH LAND. UNFORTUNATELY, MOST OF US DON'T SEE THE AGONY. IN THE PLAY NAMED FOR THE LEAD CHARACTER, ZORBA DRAWS LAUGHS WHEN HE SAYS THE OBVIOUS TO A MAN HE MEETS, "WE ARE STRANGERS BECAUSE WE DO NOT KNOW EACH OTHER." THE AGONY OF JOBLESSNESS IS A STRANGER TO MOST AMERICANS BECAUSE WE DO NOT KNOW IT PERSONALLY. WE MAY EXPERIENCE IT SLIGHTLY THROUGH SEASONAL UNEMPLOYMENT, THROUGH A TEMPORARY LAYOFF, THROUGH A TEMPORARY TRANSITION PERIOD OF A WEEK OR TWO FROM ONE JOB TO ANOTHER, BUT NOT THE HARD, REAL THING. EVEN IF WE DO NOT ENCOUNTER JOBLESSNESS IN ITS FULL HARSHNESS, IT TOUCHES US EVERY DAY IN A MULTITUDE OF WAYS. WE FACE THE INDIRECT SPINOFFS FROM UNEMPLOYMENT: HIGH CRIME RATES, AND TAX MONEY GOING FOR WELFARE, PRISONS AND UNEMPLOYMENT COMPENSATION. BUT, FOR MOST OF US, THE CONFRONTATION WITH UNEMPLOYMENT'S GRIMNESS

IS DISTANT, INDIRECT. THE UGLY REALITIES DO NOT PENETRATE MOST MIDDLE-CLASS HOMES.

UNEMPLOYMENT LEADS TO POVERTY, AND THE POVERTY STATISTICS ARE NOT PLEASANT. IN 1984 ONE IN EVERY SEVEN AMERICANS LIVED IN FAMILIES THAT FELL BELOW THE POVERTY LINE OF $10,609 FOR A FAMILY OF FOUR. IN 1968 THE POOREST FIFTH OF U.S. FAMILIES HAD 91 PERCENT OF THE MONEY NEEDED FOR BASIC REQUIREMENTS, BUT FIFTEEN YEARS LATER THAT HAD FALLEN TO 60 PERCENT. MOST OF THE POOR ARE WHITE, BUT BLACKS ARE THREE TIMES AS LIKELY AS WHITES TO LIVE IN POVERTY; HISPANICS ARE MORE THAN TWICE AS LIKELY. THIRTY-FOUR PERCENT OF THOSE LIVING IN FEMALE-HEADED FAMILIES ARE POOR. THE ONLY GOOD NEWS IN POVERTY STATISTICS IS THAT THE PERCENTAGE OF ELDERLY AMERICANS LIVING IN POVERTY IS DECLINING. OLDER AMERICANS ARE BEING LIFTED BY SOCIAL SECURITY AND PROGRAMS LIKE SUPPLEMENTAL SECURITY INCOME. BUT THOSE OVER SIXTY-FIVE ARE ONLY 14 PERCENT OF OUR POPULATION. FOR THE NON-ELDERLY POOR IN OUR MIDST THE MAIN ANSWER MUST BE JOBS.

IN ALL, WE HAVE AT LEAST TEN MILLION PEOPLE UNEMPLOYED OR SIGNIFICANTLY UNDEREMPLOYED (WORKING TWO DAYS OR LESS A WEEK WHEN THEY WANT TO WORK FULL TIME). TEN MILLION PEOPLE IS ALMOST TWICE THE POPULATION OF SWITZERLAND. IF SWITZERLAND SUDDENLY WOULD HAVE NO EMPLOYMENT, THE U.S. GOVERNMENT WOULD GALVANIZE OUR RESOURCES TO HELP THE SWISS PEOPLE. LIONS CLUBS AND WOMEN'S CLUBS AND CHURCHES AND SYNAGOGUES WOULD VOLUNTEER HELP. AS THEY SHOULD! BUT WHEN MORE THAN TWICE THE EMPLOYABLE POPULATION OF SWITZERLAND IS UNEMPLOYED WITHIN OUR OWN BORDERS, WE HAVE YET TO MAKE IT A MATTER OF MAJOR NATIONAL CONCERN. IT IS NOT A HIGH PRIORITY FOR US. ONE-THIRD OF THAT TEN MILLION NUMBER FORTUNATELY ARE UNEMPLOYED FOR LESS THAN THIRTY DAYS, BUT THE AVERAGE LENGTH OF UNEMPLOYMENT HAD GROWN TO MORE THAN FIFTEEN WEEKS BY 1985.

THE FIGURE OF TEN MILLION UNEMPLOYED IS HIGHER THAT THE ROSY OFFICIAL ESTIMATES OF EIGHT MILLION BUT LOWER THAN THE ESTIMATES OF OTHERS. DR. LEON KEYSERLING, ONCE CHAIRMAN OF THE COUNCIL OF ECONOMIC ADVISERS FOR PRESIDENT TRUMAN, BELIEVES THE ACCURATE FIGURE TODAY IS CLOSER TO TWELVE MILLION. NO ONE KNOWS THE NUMBER PRECISELY. TEN MILLION UNEMPLOYED MAY UNDERSTATE JOBLESSNESS SLIGHTLY, BUT IT IS PROBABLY CLOSE TO ACCURATE.

FROM 1979 TO 1984, 11.5 MILLION AMERICANS LOST THEIR JOBS BECAUSE PLANTS HAD SHUT DOWN OR MOVED OR MODERNIZED PRODUCTION TECHNIQUES OR BECAUSE OF DECREASED DEMAND. OF THAT 11.5 MILLION, MORE THAN A MILLION HAVE SIMPLY DROPPED OUT OF THE LABOR FORCE. THEY ARE NO LONGER COUNTED AMONG THE UNEMPLOYED. OF THOSE WHO WERE ABLE TO FIND NEW JOBS, OVER HALF FOUND THEMSELVES EARNING LESS MONEY.

THE FEDERAL GOVERNMENT ESTIMATES THAT MORE THAN TWO MILLION WOMEN WHO WERE HOMEMAKERS HAVE SUDDENLY FOUND THEMSELVES DIVORCED OR WIDOWED OR ABANDONED. THEY GENERALLY HAVE LITTLE OR NO PAID WORK EXPERIENCE, IN THE SENSE OF A NINE-TO-FIVE JOB. ALMOST HALF OF THESE WOMEN EITHER ARE ALONE IN THEIR POVERTY OR ARE PART OF A FAMILY WITH TOTAL FAMILY INCOME

BELOW $10,000. THEY OFTEN HAVE AN EXTREMELY DIFFICULT TIME GETTING A JOB.

WHAT IS TRUE POLITICALLY IS THAT THE GRAVITY OF WHAT UNEMPLOYMENT MEANS TO THOSE WHO FACE JOBLESSNESS HAS NOT PENETRATED DEEPLY -- NOR IS THERE A WIDELY HELD BELIEVE THAT GOVERNMENT ACTION CAN CHANGE THE PICTURE MUCH. INACTION IS TOLERATED AND THE MISERY IS ACCEPTED OR IGNORED.

A 1980 STUDY OF 127 MEN MEASURING FORTY-TWO POSSIBLE LIFE-CHANGING EMOTIONAL EVENTS FOUND LOSS OF JOB TRAILING ONLY TWO OTHER EXPERIENCES IN ITS EMOTIONAL INTENSITY: DEATH OF A SPOUSE OR DEATH OF A CLOSE FAMILY MEMBER. A 1983 PSYCHIATRIC STUDY REACHED THE CONCLUSION THAT UNEMPLOYMENT "HAS A PROFOUND IMPACT ON EMOTIONAL AND PHYSICAL HEALTH."

FINALLY, THE REVEREND DR. MARTIN LUTHER KING, JR. ONCE SAID, "IN OUR SOCIETY, IT IS MURDER, PSYCHOLOGICALLY, TO DEPRIVE A MAN OF A JOB OR AN INCOME. YOU ARE IN SUBSTANCE SAYING TO THAT MAN THAT HE HAS NO RIGHT TO EXIST." **THE NATION'S HIGHEST COMMITMENT -- OUR MOST IMPORTANT NATIONAL GOAL -- MUST BE TO GUARANTEE A JOB OPPORTUNITY FOR EVERYONE WHO WANTS TO WORK.**

UNEMPLOYMENT IS EXPENSIVE

WHEN THE BUREAU OF LABOR STATISTICS ANNOUNCED IN JANUARY, 1986, THAT UNEMPLOYMENT HAD FALLEN (TEMPORARILY) TO 6.6 PERCENT, THE NEW YORK TIMES EDITORIALIZED: "WILLING WORKERS WHO CAN'T FIND JOBS ARE AN EXPENSIVE WASTE, AND NONE ARE MORE WASTED THAN THE YOUNG TRYING TO GET STARTED. TWO OF EVERY FIVE JOBLESS WORKERS IN JANUARY WERE UNDER 25. THE UNEMPLOYMENT RATE OF BLACK TEENAGERS INCREASED IN JANUARY 41.9 PERCENT; THE RATE FOR BLACK COLLEGE GRADUATES UNDER 25 HOVERS NEAR 17 PERCENT, COMPARED WITH LESS THAN 5 PERCENT FOR WHITES." THE EDITORIAL CALLED FOR ACTION AGAINST THE "UNSOLVED PROBLEMS OF ECONOMIC WASTE AND HUMAN MISERY."

WHEN WE FAIL TO PROVIDE EMPLOYMENT, THE COSTS REACH FAR BEYOND THE JOBLESS. SOME HAVE BEEN DOCUMENTED RECENTLY IN EXCELLENT REPORTS PRODUCED BY THE CHICAGO TRIBUNE, THE WASHINGTON POST, CBS NEWS AND OTHER NEWS ORGANIZATIONS.

IN PEORIA, ILLINOIS, CATERPILLAR EMPLOYED 32,770 PEOPLE IN 1980 BUT ONLY 18,000 IN 1985. THAT ONE COMPANY PURCHASED $418 MILLION IN SUPPLIES FROM FIRMS WITHIN A FIFTY-MILE RADIUS IN 1980, $300 MILLION IN 1985. REAL ESTATE TAXES PAID IN THE THREE IMMEDIATE COUNTIES DROPPED ONE MILLION DOLLARS OVER THE SAME PERIOD. THE VALUE OF HOMES PLUMMETED. HOW MANY PEOPLE IN GROCERY STORES AND CLOTHING SHOPS AND CAR DEALERSHIPS AND HARDWARE STORES LOST THEIR JOBS AS A RESULT OF THE CATERPILLAR LAYOFFS? NO ONE KNOWS. THANKS TO HARD WORK AND GOOD

LEADERSHIP, I SENSE THAT PEORIA AND CATERPILLAR ARE STARTING TO REBOUND. BUT IN THE MEANTIME, THOUSANDS OF PEOPLE HAVE BEEN HURT.

WHILE THE DEPRESSION IN SECTORS OF THE AGRICULTURAL ECONOMY IS NOT THE SAME AS UNEMPLOYMENT, ITS ECONOMIC IMPACT BEYOND THOSE IMMEDIATELY HIT CAUSES UNEMPLOYMENT. IN FOUR YEARS, EMPLOYMENT AT AGRICULTURE-DEPENDENT INTERNATIONAL HARVESTER (NOW NAVISTAR) DROPPED FROM 97,000 TO 15,000. SMALL TOWNS ARE DEVASTATED BY THE AGRICULTURAL SLUMP. THE HAVOC OF UNEMPLOYMENT IS MORE VISIBLE IN A SMALL COMMUNITY, BUT THE ECONOMIC SUFFERING IS FELT IN ANY COMMUNITY WHERE THERE IS JOBLESSNESS, EVEN THOUGH IT IS LESS DRAMATICALLY VISIBLE THAN IT IS IN PEORIA AND SMALL COMMUNITIES.

NOT SURPRISINGLY, AREAS OF HIGH UNEMPLOYMENT ARE ALSO AREAS OF HIGH CRIME. THE COST OF CRIME IN ECONOMIC TERMS IS HUGE. THE COST OF CRIME IN AGONY TO THE VICTIMS IS EVEN GREATER. BY TOLERATING UNEMPLOYMENT AND THE RESULTANT POVERTY, WE ALSO TOLERATE A DIS-UNEMPLOYMENT AND THE RESULTANT POVERTY, WE ALSO TOLERATE A DISCOURAGING HIGH CRIME RATE. ONE OF EVERY 40 BLACK MEN BORN IN THE UNITED STATES WILL BE MURDERED; ONE OF EVERY 131 WHITE MEN WILL BE MURDERED. FOR WOMEN THE STATISTICS ARE BETTER BUT NOT GOOD.

ROCKFORD, ILLINOIS, IS IN MANY WAYS A TYPICAL AMERICAN CITY OF MEDIUM SIZE (POPULATION 139,712), BUT A COMMUNITY THAT UNTIL RECENTLY HAD SIGNIFICANTLY ABOVE AVERAGE INCOME. THE ECONOMIC RECESSION OF THE EARLY 1980s, TOGETHER WITH A

DEPRESSION IN THE MACHINE TOOL INDUSTRY, SENT INCOMES PLUMMETING AND UNEMPLOYMENT SKYROCKETING. THE AUTHOR OF A COMPREHENSIVE STUDY OF A NEW PHENOMENON IN ROCKFORD, YOUTH GANGS, WROTE: "ROCKFORD UNEMPLOYMENT HAS BEEN THE SINGLE MOST CONTRIBUTIVE FACTOR IN THE RISE OF YOUTH GANGS, YOUTH OFFENDERS, AND YOUTH-AT-RISK." UNEMPLOYED YOUTH WANT MONEY, AND IF THEY HAVE NO ALTERNATIVE, CRIME IS TOO OFTEN THE OBVIOUS ANSWER. UNEMPLOYED YOUTH HAVE TIME ON THEIR HANDS AND ABUNDANT ENERGY, AND WHEN A JOB DOES NOT DEMAND THAT TIME AND ENERGY, SOMETHING ELSE WILL. SOMETIMES THEY CHOOSE CRIME. DURING THE PAST SIX YEARS THERE HAS BEEN BOTH NATIONAL POPULATION GROWTH AND GROWTH IN THE TOTAL NUMBER OF JOBS, BUT THE NUMBER OF FULL-TIME JOBS HELD BY TEENAGERS HAS DROPPED ALMOST 30 PERCENT, A MAJOR CAUSE OF CRIME.

CHILDREN WHO GROW UP IN FAMILIES WHERE NO ONE WORKS DO NOT LEARN BASIC ATTITUDES AND WORK HABITS THAT ARE ESSENTIAL TO PERFORMING EFFECTIVELY IN OUR SOCIETY. IN A REAL SENSE UNEMPLOYMENT CAN BE "INHERITED."

THE COST OF JOBLESSNESS IN FAMILY BREAKUPS AND CHILD ABUSE IS OVERWHELMING, AS STUDIES HAVE SHOWN.

BUSINESS IS HARMED BY UNEMPLOYMENT. PEOPLE WHO DO NOT WORK DO NOT BUY NEW CARS OR AIR CONDITIONERS OR SUITS. TAX INCENTIVES TO STIMULATE BUSINESS INVESTMENT **SOMETIMES** CAN BE EFFECTIVE, BUT CREATING AN ECONOMIC CLIMATE IN WHICH PEOPLE ARE WORKING AND BUYING **ALWAYS** STIMULATES THE ECONOMY.

THE FEDERAL BUDGET SUFFERS. PRESIDENT REAGAN USES THE FIGURE THAT ONE MILLION PEOPLE UNEMPLOYED COSTS THE FEDERAL GOVERNMENT $28 BILLION. OTHERS IN HIS ADMINISTRATION USE THE FIGURE $35 BILLION. LET'S BE CONSERVATIVE AND SAY THAT THE FEDERAL EXPENDITURE FOR FOOD STAMPS, WELFARE, UNEMPLOYMENT COMPENSATION, MEDICAID AND A HOST OF OTHER EXPENDITURES -- PLUS LOSS OF REVENUE -- AMOUNTS TO $25 BILLION FOR EACH ONE MILLION UNEMPLOYED. IF WE HAD PROGRAMS THAT REDUCED THE NUMBERS OF THOSE UNEMPLOYED FROM TEN MILLION TO FIVE MILLION, THE NET SAVINGS TO THE FEDERAL GOVERNMENT WOULD BE $125 BILLION, USING THE MOST CONSERVATIVE FIGURE. CUTTING UNEMPLOYMENT IN HALF WOULD ALSO RESULT IN A GROWTH OF OUR GROSS NATIONAL PRODUCT OF AT LEAST 4 PERCENT, OR APPROXIMATELY $700 FOR EVERY MAN, WOMAN AND CHILD IN THE NATION. WHAT A TREMENDOUS ECONOMIC LOSS WE SUFFER THROUGH OUR INDIFFERENT ACCEPTANCE OF HIGH UNEMPLOYMENT!

EVEN THAT GREAT FINANCIAL IMPACT IS NOT AS IMPORTANT AS THE PSYCHOLOGICAL COST. THREE THOUSAND YEARS AGO, SOLOMON TOLD US: "THERE IS NOTHING BETTER THAN THAT A MAN SHOULD REJOICE IN HIS OWN WORK." THREE CENTURIES BEFORE CHRIST, ARISTOTLE WROTE: "THE HAPPY LIFE IS THOUGHT TO BE VIRTUOUS; A VIRTUOUS LIFE REQUIRES EXERTION." AND TWO HUNDRED YEARS BEFORE THAT, THE FAMED LAWMAKER SOLON WARNED, "AN ABUNDANCE OF LABORERS SHOULD NOT BE LEFT IDLE." PLATO WROTE, "A STATE IS NOT ONE, BUT TWO STATES, THE ONE OF POOR, THE OTHER OF RICH MEN; AND THEY ARE LIVING ON THE SAME SPOT AND ALWAYS CONSPIRING AGAINST ONE ANOTHER." MACHIAVELLI SAID MUCH THE SAME THING. TO THE EXTENT

THAT A GOVERNMENT CAN AVOID HOPELESSNESS AMONG THE POOR -- AND REDUCE THE NUMBER OF THE POOR -- THE TWO STATES CAN BECOME ONE STATE.

THOSE WHO ARE UNEMPLOYED FEEL LEFT OUT OF SOCIETY. THEY DO NOT HAVE A FEELING OF CONTRIBUTING, OF BELONGING. YES, THEY CAN VOTE, BUT IN A VERY REAL SENSE, THEY FEEL DISENFRANCHISED. THERE IS A GROWING SENSE AMONG THEM THAT THEIR VOICE IS NOT BEING HEARD.

THE SOLUTION

I COME TO THE CONCLUSION THAT OUR FREE SYSTEM CAN ELIMINATE UNEMPLOYMENT IF WE TRY AND WE MUST TRY. WE HAVE TO MAKE A HIGHER PRIORITY OF PUTTING OUR PEOPLE TO WORK. WHY DOES JAPAN HAVE AN UNEMPLOYMENT RATE OF 2.6 PERCENT, ITALY 6.0 PERCENT, SWEDEN 2.8 PERCENT AND SWITZERLAND LESS THAN 1 PERCENT WHEN WE HAVE UNEMPLOYMENT HOVERING AROUND 7 PERCENT EVEN WITH OUR GENEROUS-TO-THE-GOVERNMENT WAY OF CALCULATING IT? THE MAJOR REASON IS THAT THESE COUNTRIES HAVE MADE A PRIORITY OF PUTTING PEOPLE TO WORK. THE TIME IS NEAR WHEN THE UNITED STATES CAN SHOW THAT A FREE SOCIETY CAN TACKLE UNEMPLOYMENT AND WIN.

AN OPPORTUNITY TO WORK GIVES PEOPLE SELF-ESTEEM, SOMETHING WE ALL NEED. WHEN SELF-ESTEEM DISAPPEARS, ALTERNATIVES THAT ARE NOT GOOD FOR SOCIETY EMERGE. PEOPLE WITHOUT SELF-ESTEEM CANNOT CONVEY SELF-ESTEEM TO THEIR CHILDREN; PEOPLE WITHOUT

HOPE CANNOT GIVE HOPE TO OTHERS. AFTER MORE THAN THREE DECADES OF PUBLIC LIFE AND WORKING WITH PEOPLE WHO HAVE EVERY VARIETY OF PROBLEM, I HAVE LEARNED THAT THE GREAT DIVISION IN OUR SOCIETY IS NOT BETWEEN BLACK AND WHITE, ANGLO AND HISPANIC, JEW AND GENTILE, OR RICH AND POOR. THE GREAT DIVISION IS BETWEEN THOSE WHO HAVE HOPE AND THOSE WHO HAVE GIVEN UP. THERE IS NOTHING LIKE A JOB TO RAISE SELF-ESTEEM, TO FEEL YOU ARE CONTRIBUTING SOMETHING TO SOCIETY AND TO YOUR FAMILY. FOR TOO MANY IN OUR SOCIETY, HOPELESSNESS AND JOBLESSNESS ARE THE SAME.

MY PROPOSAL INCLUDES THE FOLLOWING ESSENTIAL ELEMENTS:

Employment -- Eligible participants will be hired on a project-by-project basis to work a maximum of 32 hours per week; pay will be at the minimum wage ($3.35 an hour, $107.20 per week, or ten percent above the participant's welfare allotment or unemployment compensation, if applicable, and where the welfare allotment or unemployment compensation due would exceed the minimum wage; the participant would continue to be eligible for a (minimum wage) Guaranteed Job Opportunity Program (GJOP) job should his or her welfare allotment be reduced or the unemployment compensation benefits expire. **In unusual circumstances the District Executive Council may waive the 32 hour maximum if the Council agrees to such a waiver by a two-thirds majority vote, and files the reasons for the waiver with the regional office of the Department of Labor.**

Testing and Education -- All applicants will be tested for basic reading and writing ability, with basic skills instruction provided for those with limited or marginal skills, but who holds a high school diploma or a GED, and required of those with no high school diploma or GED. Those in the latter category will receive counseling and must attend evening or weekend classes until they obtain a GED. Bilingual classes will be provided for the limited English speaking and waivers would be made available for handicapped persons or those requiring special education.

Job Clubs -- Will be formed to assist with resume preparation, the development of good interviewing

nniques, and to provide feedback to club members on
t each is doing in the job search process.

efits -- Persons employed through GJOP will receive
ical coverage, Social Security retirement and
ability coverage, but will not receive unemployment
pensation coverage.

**k Projects -- Jobs will be decided on a project-by-
oject basis according to guidelines established by the
:retary of Labor. If an objection to a project is filed
2 union representatives from the Committee, or by 2
siness representatives, the project shall be vetoed.
pervisors will be assigned project-by-project and will
paid the local prevailing wage. Transportation and
uipment may not exceed 10% of the total project cost.**

KING THESE STEPS WOULD CONVERT THE NATIONAL LIABILITY OF
YMENT INTO A NATIONAL RESOURCE. WORK OPPORTUNITY FOR
AND SHOULD BE THE NEXT GREAT STEP FORWARD WE TAKE AS A
. MOST OF ALL, IT'S A QUESTION OF PRIORITIES. THE
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TO USE THEM.

news from
PAUL SIMON
U.S. SENATOR ILLINOIS

FOR RELEASE: Jan. 13, 1987

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'turn a national liability into a national resource'

SIMON CALLS FOR MAJOR JOBS PLAN

WASHINGTON -- U.S. Sen. Paul Simon, D-Ill., today asked the Senate to top the nation's domestic policy agenda with a commitment to guarantee job opportunities to those unable to find work in the private sector.

Leading off hearings by the Senate Committee on Labor and Human Resources on "National Goals in Employment in the Post-Reagan Era," Simon said, "The time is near when the United States can show, as several other Western democracies have, that a free society can tackle unemployment and win."

"Work opportunity for all can and should be the next great step forward we take as a society," said Simon, who now chairs the Senate Subcommittee on Employment and Productivity.

Simon will introduce a comprehensive guaranteed job opportunity bill early in his tenure at the panel's helm.

The Simon plan, modeled on the Works Progress Administration (WPA) devised by President Franklin Roosevelt, calls for locally drawn and administered job projects paying either the minimum wage or 10 percent above welfare or unemployment compensation stipends for 32-hour work weeks. Testing, tutoring and counseling would equip job applicants with skills to improve their chances of finding private sector jobs.

Local boards would propose and oversee the projects, which could range from sidewalk construction to tutoring illiterate adults to park construction.

The Illinois lawmaker said much of the program's budget

(MORE)

would be offset by savings in welfare and unemployment compensation outlays. One estimate sets the cost of the Simon plan at $8 billion, which Simon notes is less than one-fourth of the increase alone the White House sought last year for defense spending.

Using Peoria and Rockford, Ill., as examples, Simon described for the committee the toll unemployment takes on individuals, families, communities, the economy and on national resources. He spelled out how curbing joblessness would bring hope and stability to families trapped in the cycle of poverty by giving them a stake in society; how it would ease crime; boost national income and local commerce; relieve pressure on local tax rolls; and lighten the burden of a variety of federal poverty efforts.

"Taking this step would convert the national liability of unemployment into a national resource," he said.

"Unemployment is not something beyond our control, like the weather. Most of all it's a question of priorities. The solutions are at hand. What we need is the vision and the resolve to use them."

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FRANKFORT
ECONOMIST
DEC 10 1986

A jobs program

161

Sen. Paul Simon says Americans shouldn't accept unemployment as an unavoidable fact of life.

"Unemployment is not like the weather ... it's not inevitable," he said last month in an interview with Southtown reporter Jim Duffy. That is the philosophy behind Simon's proposal for an $8 billion jobs program reminiscent of Franklin Roosevelt's WPA.

We recognize that the odds are heavily against adoption of a massive program like Simon's at least in the immediate months ahead; the senator concedes the point, and talks instead in terms of immediate creation of job retraining programs.

Nonetheless, it's good to hear a politician in high office talking about what government can do for the American people rather than portraying it as an enemy of the people.

Simon recently had his 11th book published. Called "Let's Put America Back to Work," it details the senator's jobs proposal. In brief, Simon proposes a program that would put 3 million unemployed people back to work building roads, working in day-care centers, repairing sidewalks, installing telephones — "all kinds of things that need to be done in this country," he told a wire service reporter last week.

People in the program would work 32-hour weeks at minimum wage and would have to show they are seeking private-sector work. Education and training programs would be important parts of the proposal.

After six years of Reaganism, skeptics are likely to shout "big spender" at the mere mention of a program as ambitious as Simon's. But the senator makes a telling point on that score: At $8 billion, the plan would cost less than 1 percent of the current federal budget. And $8 billion represents, Simon said, only one-quarter of the *increase* the Reagan administration has requested for military programs.

"We're not going to let people starve, (so) we face the choice of paying people for doing nothing or ... for doing something. ... It makes infinitely more sense to pay people for doing something," said Simon. We agree.

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Workfare, not welfare, makes a lot of sense

161

Illinois US Senator Paul Simon recently suggested that the federal government launch a jobs program in the image of the Work Projects Administration (WPA) of the depression days following the economic collapse in the United States in 1929. We agree.

To say that the US is enjoying remarkable prosperity today is a fairy tale. Strange as it may seem, there are as many, or more, poor and unemployed in this country today than there was in the darkest days of that depression. Due to the population growth since the depression days, the percentage figure on the poor and the unemployed is less, but the actual numbers, 14 to 16 million unemployed is still a national disgrace.

Not only should this country turn its assets and resources to creating respectable jobs in a public works program, but it should concentrate on the creation of a new army, a Civilian Conservation Corps army to provide jobs for millions of young people who have little hope of finding gainful employment in the high technology age.

A new CCC, in addition to turning youth from gangs and crime, could be developed into a young army dedicated to the restoration of our natural resources, revitalization and rehabilitation of the blight areas in our cities and a symbol of peace in our time.

The most important factor, should such programs become reality, would be to safeguard them against the administrative bureaucracy that has so often diluted the purpose and intent of such programs. Some of the best programs sponsored by federal, state and local government have failed because a top-heavy bureaucratic elite (favored by patronage) have sucked the lifeblood from the programs while the crumbs were served to those for whom such programs were intended to benefit.

In short, let there be more of a WPA and the CCC, and less or elimination of such alphabetical nightmares as the CIA and the NSC.

QUINCY
Herald-Whig
29,896 D

DEC 24 1986

Simon: America can provide jobs for everyone

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By Scripps Howard News Service

WASHINGTON — Now that Democrats control Congress, some of them are talking about legislation that would guarantee everyone a job — in good times and bad.

Federal jobs programs have been unpopular with the Reagan administration, even during economic slumps, and the idea may seem even less timely now with unemployment down to 7 percent.

But 7 percent unemployment still means more than 8 million are without work, says Sen. Paul Simon, D-Ill., who believes Democrats should maintain a commitment to "the less fortunate of our society."

"The average American doesn't see the tragedy of these people. But it's out there and it's grim and it's eroding something that's very basic to our society," Simon said. "The great division in our society is not between blacks and whites, Anglos or Hispanics ... but between people who have given up and those who have hope.

"The next major step we take as a country will be to guarantee a job to all Americans," he predicted.

Simon will introduce a jobs bill as part of the slew of trade and industrial competitiveness proposals that Democrats will be offering when the 100th Congress convenes in January.

Reagan is unlikely to sign any jobs bill that might reach him, but Simon said some Democrats want to get the idea on the agenda now for the 1988 presidential campaign. A group of 14 congressmen have urged Simon, who was elected to the Senate in 1984 after serving 10 years in the House, to become a candidate for president.

Two economic trends make it likely, according to Simon, that a jobs program will be needed soon: the demand for unskilled labor is declining, but the pool of unskilled labor is growing.

"We are not going to let those people starve," he said. "We have a choice of paying people for doing nothing or paying people for doing something."

Simon outlined his plan for guaranteed jobs in a book, "Let's Put America Back To Work," which was recently published by Bonus Books of Chicago.

Under Simon's proposal, every American who wants work would be guaranteed a job that provided 32 hours work a week at minimum wage or 10 percent above welfare or unemployment payments.

This would give participants an income that's just above the poverty level but not enough to discourage them from seeking regular employment.

Simon agrees legislation is needed to stimulate jobs and protect U.S. workers from unfair imports, but "where private sector jobs are not available, the answer of our society should be something better than, 'Sit at home, and we'll send you a check,'" he said.

What sort of jobs?

"The Guaranteed Job Opportunity Program can put people to work productively, teaching others how to read and write, helping with day care centers, planting trees, assisting in senior citizens programs, cleaning grafitti off the walls of subways, cleaning off vacant lots, making bicycle trails, and doing a host of other things that will improve our society," Simon said.

There are 7 million homes without phones. Why not give them phones, not to make long distance calls, but for local calls to friends or emergency services such as the police or fire departments, Simon asked.

A 2 percent charge on all long-distance calls would cover the cost of putting unemployed people to work making and installing phones.

"Would we be a better society for something like this?" Simon said. "I think so, and we'll put people to work who are doing nothing."

Simon sees education as part of any jobs program. Of the 158 countries in the United Nations, this country ranks 49th in literacy.

"An officer of the First National Bank of Boston recently commented that two-thirds of those applying for jobs at his bank could not fill out the application form," Simon wrote.

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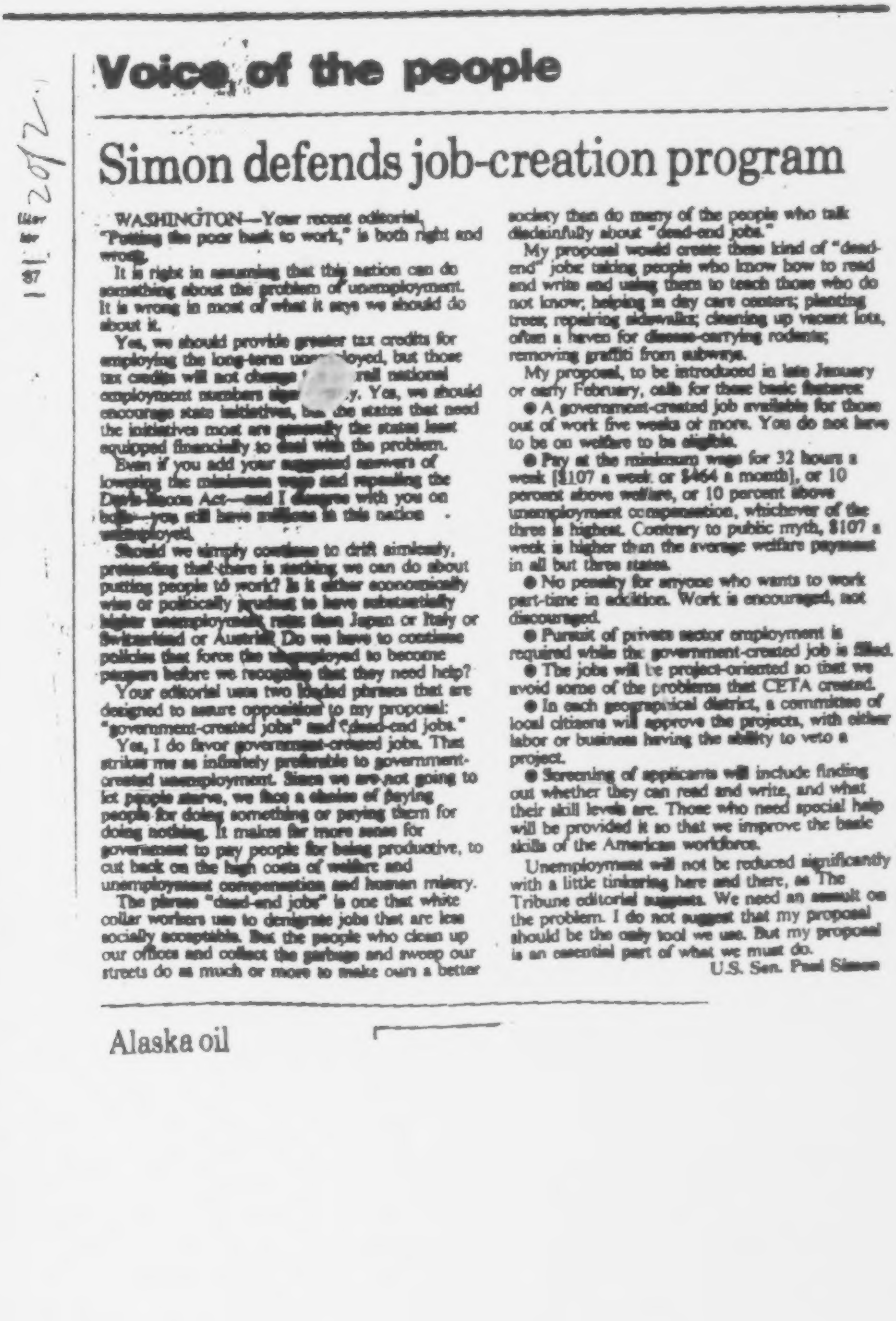

Voice of the people

Simon defends job-creation program

WASHINGTON—Your recent editorial, "Putting the poor back to work," is both right and wrong.

It is right in assuming that this nation can do something about the problem of unemployment. It is wrong in most of what it says we should do about it.

Yes, we should provide greater tax credits for employing the long-term unemployed, but those tax credits will not change the overall national employment numbers significantly. Yes, we should encourage state initiatives, but the states that need the initiatives most are generally the states least equipped financially to deal with the problem.

Even if you add your suggested answers of lowering the minimum wage and repealing the Davis-Bacon Act—and I disagree with you on both—you still have millions in this nation unemployed.

Should we simply continue to drift aimlessly, pretending that there is nothing we can do about putting people to work? Is it either economically wise or politically prudent to have substantially higher unemployment rates than Japan or Italy or Switzerland or Austria? Do we have to continue policies that force the unemployed to become paupers before we recognize that they need help?

Your editorial uses two loaded phrases that are designed to assure opposition to my proposal: "government-created jobs" and "dead-end jobs."

Yes, I do favor government-created jobs. That strikes me as infinitely preferable to government-created unemployment. Since we are not going to let people starve, we face a choice of paying people for doing something or paying them for doing nothing. It makes far more sense for government to pay people for being productive, to cut back on the high costs of welfare and unemployment compensation and human misery.

The phrase "dead-end jobs" is one that white collar workers use to denigrate jobs that are less socially acceptable. But the people who clean up our offices and collect the garbage and sweep our streets do as much or more to make ours a better society than do many of the people who talk disdainfully about "dead-end jobs."

My proposal would create these kind of "dead-end" jobs: taking people who know how to read and write and using them to teach those who do not know; helping in day care centers; planting trees; repairing sidewalks; cleaning up vacant lots, often a haven for disease-carrying rodents; removing graffiti from subways.

My proposal, to be introduced in late January or early February, calls for these basic features:

● A government-created job available for those out of work five weeks or more. You do not have to be on welfare to be eligible.

● Pay at the minimum wage for 32 hours a week [$107 a week or $464 a month], or 10 percent above welfare, or 10 percent above unemployment compensation, whichever of the three is highest. Contrary to public myth, $107 a week is higher than the average welfare payment in all but three states.

● No penalty for anyone who wants to work part-time in addition. Work is encouraged, not discouraged.

● Pursuit of private sector employment is required while the government-created job is filled.

● The jobs will be project-oriented so that we avoid some of the problems that CETA created.

● In each geographical district, a committee of local citizens will approve the projects, with either labor or business having the ability to veto a project.

● Screening of applicants will include finding out whether they can read and write, and what their skill levels are. Those who need special help will be provided it so that we improve the basic skills of the American workforce.

Unemployment will not be reduced significantly with a little tinkering here and there, as The Tribune editorial suggests. We need an assault on the problem. I do not suggest that my proposal should be the only tool we use. But my proposal is an essential part of what we must do.

U.S. Sen. Paul Simon

Alaska oil

CHICAGO
Tribune
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DEC 26, 1986

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Putting the poor back to work

Plenty of theories exist on how to deal with the perennial problem of poverty. Sen. Paul Simon's new proposal is the most direct approach: Break the cycle of chronic dependency with jobs for welfare recipients.

His $8 billion proposal would take much of the money now spent on public aid and unemployment compensation and use it to guarantee jobs for able-bodied welfare recipients and others who are unemployed. His diagnosis is correct. But his cure—government-created jobs, increased federal involvement and a strict adherence to the minimum wage—is unwieldy, inefficient and in the long run probably won't work.

Sen. Simon's program is an update of his earlier proposals based on the Works Progress Administration created by President Franklin Roosevelt to put the unemployed back to work during the Depression. The WPA built parks and roads, wrote state histories, staged theatrical productions and left a positive legacy around the country. But, although the nation's economy may not be feeling its best these days, it is nowhwere near the critical stage that made that 1930s effort worthwhile despite its inefficiencies and bureaucratic snarls.

Sen. Simon's new works project also would be federally funded, but local boards would administer it. They would create or approve a variety of 32-hour-a-week jobs, a schedule that leaves a day off to hunt for private sector jobs. Workers would get the federal minimum wage, which is much higher than welfare payments or most unemployment compensation.

Rather than fund a costly job-creation program, Washington should give state and local governments the leeway and the tax resources to develop their own methods of helping people escape from chronic poverty. One place to begin is with the version of New Federalism proposed recently by a bipartisan group of federal, state and local officials. It would kill a number of federal domestic grants targeted to specific programs, and in return release a bloc of tax money to be used at the discretion of state and local officials.

The states, for their part, should revise public aid rules to provide bonuses and other incentives for welfare recipients who find work. Now, a recipient who takes a low-paying or seasonal job could well wind up losing money, yet those jobs can be the first step toward fulltime work and self-sufficiency.

Two bills that would have provided these incentives in Illinois were shelved earlier this year by the state legislature after Gov. Thompson said his administration couldn't afford them. Yet both would have resulted in long-term savings in welfare costs. One would have permitted welfare recipients who take seasonal jobs to be reinstated to public aid rolls immediately when they are laid off. Now a recipient may have to wait months to be reinstated, a powerful disincentive to take short-term work. The second bill would have given bonuses to recipients who take low-paying jobs.

The federal government does have a role to play in job creation, but not the one envisioned by Sen. Simon. Instead of wasting money and dashing hopes with dead-end public jobs projects, it should encourage job creation in the private sector. It can do this by extending and expanding the federal tax credit for hiring the unemployed; the new tax code cuts back the credit, even though it is one tax break that results in more tax revenue. It can repeal the Davis-Bacon Act, which cuts construction jobs by mandating high wages. And it can cut the minimum wage, which discourages private business from adding low-skilled people to the work forces.

ROCK ISLAN IL.
Argus
22,156 D

Editorials, Tuesday, December 9, 1986

On the job

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It's a point we have tried to make several times over the last several years. Now that U.S. Sen. Paul Simon, D-Ill., is taking up the refrain, perhaps something will come of the idea.

Simon is proposing an $8 billion national jobs program similar to President Franklin D. Roosevelt's Works Progress Administration (WPA). The WPA put three million Americans to work in the 1930s.

"Since we're not going to let people starve," says Simon, "we face the choice of paying people for doing nothing or paying people for doing something. I think it makes infinitely more sense to pay people for doing something — to let them be productive."

Simon's philosophy seems to echo that of President Reagan, who has championed the concept of "workfare," a system that requires welfare recipients to work in order to remain eligible for benefits.

The work ethic has taken a beating in America in recent years, but most of us still believe that most people want to work, that they want to have a job to do, that they want that feeling of belonging that productivity provides

Under Simon's proposal, which he plans to introduce in the next session of Congress, people would be guaranteed a 32-hour work week. People could be used for day care, to repair sidewalks, plant trees, install telephones in the homes of the needy and many other jobs.

At a cost of $8 billion a year, the program would constitute less than 1 percent of the total federal budget.

Simon estimates that his plan would put three million people to work and permit up to two members from the same family to participate. Roosevelt's WPA limited participation to one person per family.

"There are a great many people who now view unemployment as something like the weather," Simon says. "There's nothing you can do about it."

The Illinois Democrat rejects that notion, and so do we.

We hope the Congress and the administration can work together to support Simon's proposal to help put Americans back to work.

WHEATON
Daily Journal
8,000 D

DEC 31 1986

Time to pay attention to our unemployed

161-2091

I have a New Year's wish. It is that in 1987 Americans develop an increased concern for the growing number of their fellow citizens who are dropping off the merry-go-round of good fortune this nation provides for most of us.

Going in, there is a ray of sunshine to be found in a new book by Illinois Sen. Paul Simon. It is entitled "Let's Put America Back to Work," and is a book sure to focus a lot of thinking, pro and con, on the improved but still unacceptable levels of unemployment and the

for the nation as a whole, but the farming segment of the economy remained depressed all during the decade. Matters got worse and worse for our farmers, and in time the entire nation was plunged into a devastating depression.

Now at least 10 percent of our population is locked in a desperate situation that is rooted in our high unemployment. We have a rising number of citizens who are finding it impossible to keep their homes.

We have an increasing number of

"What will it cost not to do it?"

When the question of full employment, or even greatly reduced unemployment, is proposed to most of us, it sounds impossible in a free society.

Simon has a thought-provoking response. Even in the lifetime of some of our older citizens, Simon points out, it was generally believed that an eight hour day six days a week was unachievable.

When Wheaton's Judge Gary founded the United States Steel Corporation, men worked 10 hours a day seven days a week. U.S. Steel workers went on strike when Gary mandated an eight hour day Monday through Saturday.

"These same types of experts," writes Simon, "knew that whooping cough and polio were the inevitable lot of humanity. And, of course, they knew that passing a law to permit blacks to vote everywhere in this nation and to go into restaurants and hotels would never be tolerated and would never come about.

"But a few people with dreams and vision changed this assumption," Simon notes.

Moreover, Simon reports that several nations have made a lot of headway toward full employment. Japan has an unemployment rate in this decade of 2.6 percent, Sweden 2.8 percent and Switzerland less than one percent.

The first stumbling block, the Illinois senator observes, is that our people generally do not feel strongly about unemployment and do not understand the nature of the tragedy it is inflicting.

Generally, individuals in most communities, and especially in high income suburban areas such as DuPage County, do not know anyone personally who is unemployed and who has been looking for a job for months, even years.

As a result there is no strong feeling that something should be done about it.

A number of churches in DuPage County, among them the Gary United Methodist Church in Wheaton, have this winter begun opening their facilities one night each week to the homeless.

As many as 30 persons, including some children, are being served by church volunteers. One of the major benefits is that people in these DuPage communities are learning first hand about the tragedy of an inadequate income and the inability to find jobs.

The longest chapter in Sen. Simon's new book is devoted to carefully documenting the stories of 29 persons from coast to coast who are battling unemployment. They range in age from upper 20s to the 50s.

All have held jobs in the past, some of them for as many as 20 years. All have been without jobs for 18 months or more. All of them have been and are doing everything they can to find jobs.

One of these persons is Gerald Yusko of Streator. Yusko is 52, is married and has five children, three of them living at home.

"I worked 12 years at Owens Illinois Glass and then lost my job because of automation. I've been out of work a year and a half. I get a little part-time work at a food processing plant in Streator, and once every three months or so I may get a full week.

"My wife does not work. It's tough. In close to 30 years I've been married, I've never been unemployed until now.

"When you find yourself out of work, you get a case of nerves or something. You get sick to your stomach; you just get depressed. You know, you don't even hardly enjoy being with your family because you got this on your mind all the time.

"I've tried everything to get a job. I've been to the six different Job Services offices in this area.

"The thing that's saved me is that I have my house paid for. The lucky thing about all this is that I happened to get my home paid for before this all happened.

"I worry about my children. Unless I get steady work, I won't be able to further their education after they get out of high school, if I can get 'em through high school," reports Yusko.

Most of the new jobs must be provided by the private sector, says Simon. He sees a vital role for the public sector too.

"However adequately we stimulate the private sector, the reality is that we will continue to need public sector leadership."

Simon's new book is loaded with examples of how new jobs can be and are being created by enterprising communities across the nation.

His final pages are devoted to suggestions for persons who have been unable to find a job for long periods, and he closes with an incident which occurred to him recently.

"I had a friend who had cancer, and I called the hospital to ask how he was doing. The hospital nurse explained that he was not in his room just now. He was out cheering up all the other cancer patients," reports Simon.

That's the spirit that is needed. I know it is easy for me to write about it, difficult to do, I know. But please try."

Paul Simon

"Let's stop kidding ourselves about unemployment. Our goal should be to guarantee job opportunities for everyone who wants to work. . .That's the spirit that is needed."

—Senator Paul Simon
from his new book
Let's Put America Back to Work

The Patriot Ledger, Fri., Dec. 26, 1986 11

Giving everyone a job

Senator pushes plan to guarantee work

By Gene Marlowe
Media General Newspapers

WASHINGTON — Now that Democrats control Congress, some of them are talking about legislation that would guarantee everyone a job — in good times and bad.

Federal jobs programs have been unpopular with the Reagan administration, even during economic slumps, and the idea may seem even less timely now with unemployment down to 7 percent.

But 7 percent unemployment still means more than 8 million are without work, says Sen. Paul Simon, D-Ill., who believes Democrats should maintain a commitment to "the less fortunate of our society."

"The average American doesn't see the tragedy of these people. But it's out there and it's grim and it's eroding something that's very basic to our society," Simon said. "The great division in our society is not between blacks and whites, Anglos or Hispanics ... but between people who have given up and those who have hope.

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Two economic trends make it likely, according to Simon, that a jobs program will be needed soon: the demand for unskilled labor is declining, but the pool of unskilled labor is growing.

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Simon agrees legislation is needed to stimulate jobs and protect U.S. workers from unfair imports, but "where private sector jobs are not available, the answer of our society should be something better than, 'Sit at home, and we'll send you a check,' " he said.

What sort of jobs?

"The Guaranteed Job Opportunity Program can put people to work productively, teaching others how to read and write, helping with day care centers, planting trees, assisting in senior citizens programs, cleaning grafitti off the walls of subways, cleaning off vacant lots, making bicycle trails, and doing a host of other things that will improve our society," Simon said.

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"Would we be a better society for something like this?" Simon said. "I think so, and we'll put people to work who are doing nothing."

Simon sees education as part of any jobs program. Of the 158 countries in the United Nations, this country ranks 49th in literacy.

"An officer of the First National Bank of Boston recently commented that two-thirds of those applying for jobs at his bank could not fill out the application form," Simon wrote.

Some unemployed people could be employed as reading tutors, but many would be sent to school for reading instruction.

History suggests that 1.7 million of the 8 million people eligible for a jobs program would apply.

Simon concedes that a jobs bill could be costly, and he suggests that it be funded with tax increases, which he thinks are inevitable anyway to deal with the federal budget deficit.

He would increase the cigarette tax and eliminate tax indexing, which is the yearly adjustment to tax rates that prevents taxes from going up with inflation.

A jobs plan will strike some as more taxing and spending, something many Democrats — particularly those preparing to run for president in 1988 — are anxious to avoid.

Those Democrats are misreading the public mood, said Simon. Audiences he has asked to choose between "Reagan with Mondale's program or Mondale with Reagan's program, still choose Reagan," he said.

To Simon, this means Americans are neither liberal nor conservative. "They're pragmatic."

"If the Soviet Union — and soon even China, apparently — can do this for their people, is our free system incapable of doing it?" Simon asked. "Our free system can do it if we try. And we must try."

The Detroit News
Monday, December 22, 1986

Senator sees joblessness as potential asset

By James V. Higgins
ews Staff Writer

Fearing that America's social ills could ecome acute, U.S. Sen. Paul Simon is roposing what looks like the most sweeping public jobs program since the Great Depression of the 1930s.

But it isn't just a defensive measure to vert any class conflict that might arise rom the nation's growing poverty rate. Simon, a Democrat from southern Illinois, nsists that his job-creating proposals are ased on a positive and socially progressive dea — that a burden can be changed into a enefit.

"The fundamental concept of turning he liability of unemployment into a naional asset is one I buy," he said in an nterview.

When Democrats assume control of the enate next month, Simon says he will be amed chairman of the Subcommittee on roductivity and Employment — a post tailor-made to push his package of job-creating proposals.

SIMON, A prolific writer and former newspaperman, also is warning everyone of his intentions in advance. They are set forth in his recently published 11th book, *Let's Put America Back to Work.*

Its centerpiece is a Guaranteed Job Opportunity Program, reminiscent of the 1930s WPA (Works Progress Administration) but only vaguely so. There are many important differences, tailoring the proposal for the 1980s and beyond, Simon says.

But Simon's government-funded jobs program isn't meant to stand alone. If he gets his way, it will be part of a coordinated government policy also including tougher dealings with other nations on trade issues, reduction of the federal budget deficit, fundamental improvements in education and a separate effort to renovate the nation's "infrastructure" — highways, bridges, public transit, sewers and water delivery systems.

Simon also sees irresistible pressure to resume some form of military draft after the 1988 presidential election. Under current projections, voluntary military service soon won't produce enough recruits to fulfill the nation's basic military obligations, he said.

A draft would help reduce unemployment, but Simon said he hopes it will be structured to allow other public service options besides military service — perhaps allowing youths to spend a year in hospital service or the Peace Corps.

IN ANY CASE, Simon sees unemployment as a dangerous menace. Asked if the situation could become so explosive as to revive the social conflicts of the late 19th and early 20th centuries that erupted occasionally in virtual class warfare, he replied: "I see that coming if we don't change our policies."

Simon calculates that 10 million Americans currently are unemployed or significantly underemployed, far above official estimates that 8 million are jobless.

He figures that roughly 5 million of those at any time are waiting out a short period between jobs, are receiving unemployment benefits and wouldn't be attracted to a jobs program, or would find employment through infrastructure improvements.

Of the remaining 5 million, he estimates that 2-3 million would take advantage of his job guarantee plan.

UNDER ITS provisions, locally appointed committees would determine useful jobs or work projects, which could range from cleaning public highways or reforestation to tutoring the illiterate.

Wages would be set 10 percent higher than unemployment or welfare benefits — encouraging people to get off the dole but

Please see Simon/2E

Simon

Senator sees joblessness as potential asset

From page 1E

leaving open the prospect of private-sector jobs as a higher-paid goal. Participants would be encouraged and helped to continue or improve their educations. They would work four days a week, leaving them free one day to seek better jobs.

Simon says his proposal is different from WPA — as well as from more recent job-creating programs like CETA (Comprehensive Employment and Training Act) — in its emphasis on local control by appointed councils, screening for skill and educational levels, emphasis on educational improvement, and provision of jobs for female heads of households.

The guaranteed job plan also would start with beneficial projects, unlike CETA programs, where people were simply assigned to units of government and sometimes ended up standing around doing nothing, Simon said.

Under what Simon called a conservative estimate, the program would cost $8 billion to reduce employment by 1.7 million people, or less than 1 percent of the federal budget.

But the fundamental idea, he said, is that the United States doesn't necessarily have to face a future of reduced expectations and rising social distress.

"I don't see the inevitability at all of a decline in the standard of living," he said. "We can control these things."

The CHAIRMAN. Thank you for an excellent presentation, Senator Simon. It is a message that should be heard. It is one that needs telling. It is one that is generally muffled.

In our society when we have the Dow Jones going to 2,000, and the unemployment figures going down two-tenths of one percent, people can say things are going along, they are going in the right direction. And I think all of us in the last ten days have read the countless stories of what is happening on the Dow Jones, the stock market, and there are many others who believe that everything is fine in our society, who are heralding the two-tenths of 1 percent. So this is the other side of the coin, but I think in a very real way this is the real America.

We all know the lessons of the past, that the Dow is not an indicator in terms of what is really happening in the workplace of our society.

Let me just ask one question. You have addressed the costs. How do you respond to the question that we come to grips with your program here, that we are going to be basically replacing others who are working today, and we will be substituting one group of workers for another, and that they are then going to be either diminished in their ability to reach this American dream. They will be threatened by this.

What is your thinking on that?

Senator SIMON. I would have two answers to that. First of all, obviously, that is not what I want. My program would take effect in fiscal year 1989, so we have time to work that out. But second, I structure it so that in each geographical area, to be designated by the Governor in each State, there are 13 people who are an executive council—four of them from labor, four from business. Either labor or business can veto any project. So that if there is the danger of substitution, the local AFSME representative or, if a business feels threatened, they can veto the thing. So I would say that is number one.

Number two, there was some substitution on CETA, and frankly, some people were concerned. The difference between what I am suggesting and the CETA program—and I think, frankly, CETA also was much better than the image—but the difference is CETA simply assigned people to a community in Vermont or Massachusetts or Iowa.

Mine is a project-oriented thing where you would have a specific project to do, you are assigned to that project; when that project is over, then you are assigned to something else, so that we do not have the invitation for abuse on substitution that was there before.

The CHAIRMAN. How do you react to the charge that this is going to set up a whole new bureaucracy?

Senator SIMON. Well, first of all, we limit the amount that can be spent on administrative expenses to 10 percent of the amount that is there.

Second, there are those who say government is the enemy, and any time you add any government employees, you are doing a great disservice to this country. My belief, as I know it is yours, and my two colleagues', Senator Stafford and Senator Harkin, my belief is that government is a tool. It can be used properly or improperly. And I think we can structure this thing so that we are not going to be setting up a vast new bureaucracy, to use the phrase.

Yes, it is going to take some people to do this, to administer it. But to suggest that we do not have a vast bureaucracy by government-inspired unemployment today is to ignore the reality.

We face a choice of paying people for doing nothing or paying people for doing something. Why not pay them for doing something? Why not use the liability of unemployment and turn it into a great national asset? And Senator Stafford, if you will forgive my referring to your age here, you and I are old enough to remember something called the WPA. Now, times are different than in the WPA days, but what they did, basically, is what we ought to be doing. We do not need to re-invent the wheel. They turn the liability of unemployment into an asset that is out there in every community in this nation. And we can do the same thing today if we just have a little imagination and compassion and common sense.

The CHAIRMAN. Senator Stafford?

Senator STAFFORD. Thank you, Mr. Chairman.

I have no questions. I want to compliment Senator Simon on a very good statement. I want to have a chance to talk with you about it further, informally, away from this hearing.

Senator SIMON. Great.

The CHAIRMAN. Senator Harkin?

Senator HARKIN. Thank you, Mr. Chairman.

I have no questions other than a couple of observations. I would compliment my colleague, with whom I have been proud to serve for the last 12 years now—10 years in the House and two years in the Senate. Senator Simon has always been one of the seminal thinkers in this country on the twin issues of education and employment and what it means to us as a society to have the best possible education and the best and highest possible level of employment.

He has a new book out—I am not here to advertise his new book, but I was just paging through it. I hope I get my copy pretty soon.

Senator SIMON. You will.

Senator HARKIN. I think there are some good things in it I would like to read.

Paul, I just want to follow up on one point you made. You talked about the disparity between the top and the bottom, 14 times in the United States versus—I think it is about four-to-one in Japan.

Senator SIMON. That is correct; about five-to-one in West Germany.

Senator HARKIN. Yes. I knew it was about four-to-one in Japan.

I was looking ahead at the testimony of some of those who are coming after you. I was reading the testimony of Michael Harrington, in which he points out something that I think is very interesting. He quoted a Bureau of Labor Statistics study in which he said that, "Indeed, all of the computer-related openings estimated between now and 1995 in the list of 40 occupations with the greatest growth will add fewer jobs than the increase in building custodians alone. Of the ten fastest-growing jobs, six tend toward the low wage end of the scale—custodian, cashier, sales clerk, waiter and waitress, nursing aides and orderlies."

I was reading that and thinking about what you said about the 14 times disparity. It almost seems like we are getting to the point in our society where we do not want to pay people to do these things. We just want them to almost work for nothing, whether they are waitresses or waiters or orderlies or cashiers or custodians, that somehow we want those jobs done for almost nothing. And so you get these tremendous disparities.

Having travelled to Japan several times, it has always been interesting to me that they pay those people a pretty darned decent wage in Japan, whether someone is a sales clerk that might be there for a lifetime, who finds that as a lifetime job and a rewarding job, that those people are paid at least a decent living wage, and there is not that tremendous disparity. So I thought about that, and I am just wondering if we are getting to the point where we are saying, well, we just do not want to pay those people to do those kinds of jobs. I think that is dangerous once we start thinking like that.

The old Henry Ford concept that he wanted to pay his workers enough so that they could buy what they made, I think ought to be our attitude in our society, rather than one of seeing how far we can squeeze people down so that those of us who live a little bit better can pay less and less for the services provided to us.

The last point I want to make was one that I brought up with Secretary Brock, the idea of the length of the work week. I would like to invite your attention to the proposal—it is not just mine, but others—that we have at least one day in our work week that is devoted to education, where the private sector joins in, in which the wages paid are the same as they are today, but that one day is devoted to education on all levels, and that as a condition of that employment and that job, that person will have to spend one day a week in some form of educational activity in our society, so that we in America would have one day a week devoted to education for all of our people, not just students, but everybody in our whole workforce.

You are a good thinker on things like that, and I would ask you to think about it.

Senator SIMON. All right, I will reflect on that. Let me just add that my instinct just offhand is that maybe we ought to try an experiment in an industry or two, to see what happens with that kind of thing.

On the 14-to-1, let me just say to my colleagues——

The CHAIRMAN. Just for the record, are you talking about income, or are you talking about purchasing power?

Senator SIMON. We are talking about income.

The CHAIRMAN. Just income. Just for the record, I want to get it spelled out clearly.

Senator SIMON. Yes. The top 10 percent and the bottom 10 percent, and that is growing. If we do not do anything to change it, it——

The CHAIRMAN. The top 10 percent of income, individuals who make whatever income it is——

Senator SIMON. That is correct. They make 14 times as much as the bottom 10 percent. And it will soon be 15-to-1.

The CHAIRMAN. How has that grown in the last eight or ten years; do you know? It has been significant, but I do not know—maybe you could supply it for the record, if you would.

Senator SIMON. We will supply it for the record. But there has been a significant growth, and that trend is there. And at some point, things explode. The public is simply not going to tolerate it.

And the answer is not pulling the top of that 14 down; it is lifting those people on the bottom. And that is what we ought to be doing, and we ought to be much more creative about it.

One final point, and I know we have other witnesses, Mr. Chairman.

One of the great disservices, if my colleague from Vermont will forgive me for saying so, one of the great disservices of this Administration is that all of a sudden, we are fighting for the status quo, higher education—we are trying to hold on—instead of dreaming about the kind of America we ought to be building. I want to turn us around and start dreaming once again. And one of the areas we ought to start dreaming about is how we give everybody in this country a chance for a job. And we can do it if we dream and work for our dreams.

Thank you.

The CHAIRMAN. Thank you very much for your excellent testimony. We will include some additional material as part of the record that has been submitted by Senator Simon.

Our next witness is Mr. Tom Donahue. We are delighted to have Tom Donahue, who is Secretary-Treasurer of the AFL-CIO. He has appeared before our Committee many times, and he has been one of the most creative and knowledgeable spokesmen for the working men and women of this country, and we are delighted to have him here to speak to us about the condition of the American worker today, and also to make what suggestions and recommendations he has in terms of how to improve their hope and opportunity and their share of the American dream.

Tom, we are delighted to have you here.

STATEMENT OF THOMAS R. DONAHUE, SECRETARY-TREASURER, AFL-CIO, WASHINGTON, DC, ACCOMPANIED BY PEGGY TAYLOR, ASSISTANT DIRECTOR, DEPARTMENT OF LEGISLATION, AND DR. RUDY OSWALD, DIRECTOR, ECONOMIC RESEARCH

Mr. DONAHUE. Thank you very much, Senator.

I am delighted to be here and appreciate the opportunity. I am accompanied today by Peggy Taylor, our Assistant Director of our Department of Legislation, and Dr. Rudy Oswald, our Director of Economic Research.

We want to try to address, Senator, with you just quickly the subjects, signs, of the outlook for employment and unemployment and policies and programs to expand job opportunities and reduce the general misery levels.

We certainly would associate ourselves with the testimony of Senator Simon. It is refreshing to hear a serious proposal to ensure jobs for people in this country.

As I sat and listened to Secretary Brock earlier, I realized that our focus is considerably shorter than his focus, because we speak for workers whose needs are immediate, whose problems exist today. So I suppose we would characterize our testimony as dealing with "Workforce 1987" rather than "Workforce 2000." I think the Secretary is commendably looking to the day when the swamp will be drained, but we are fighting off the alligators.

Let me just take a few moments to take a look at the current conditions in the swamp. There are 111 million people working today—8 million unemployed, 1.2 million who are too discouraged to look for work, 5 million working part-time because there is no full-time work available, altogether 14 million people suffering unemployment and underemployment.

The Administration tells us that the number of jobs has grown by 11.3 million in the past six years. They always leave out the fact that the workforce in that same period has grown by 11.7 million, giving us a net loss of 300,000, or a net add to unemployment of 400,000 jobs.

We ought to note just for the record, for the sake of comparison, that in the four years of the previous Administration, the number of jobs in the workforce grew by 10.5 million in only four years, with a net reduction in unemployment levels.

Let us take a look at the unemployment story in recent decades. Three million people were unemployed in the average month in the 1950s, 3.5 million in the 1960s, 5.8 million unemployed in the average month in the 1970s, 8.2 million in the 1980s.

Look at the unemployment rates: 4.5 percent in the fifties, 4.8 in the sixties, rising to 6.2 in the 1970s, and rising to 8 percent on the average in the eighties. Even with the drop in unemployment reported last week, two-tenths of a percent, we are still in the seventh year of unemployment at recession levels. In every one of those years, more than 20 million Americans have suffered unemployment at some point in the year. That is a lot of suffering in this nation.

There are now 2 million fewer jobs in manufacturing than there were in 1979, because of a wave of plant closings and mass layoffs which occurred while we refused to adopt a realistic, coherent trade policy.

By contrast, jobs in low-wage, service-producing industries have grown by 10 million since 1979. But the problem is that average wages in manufacturing are over $400 a week. In the service sector, average earnings are $177 a week in retail trade, $269 in the service industry generally.

So all the service sector jobs on which we are told our future is to be built are paying $130 to $220 a week less than the jobs they are replacing.

I was stunned to hear Secretary Brock say this morning that the new jobs are better than the old jobs. Sixty percent of the new jobs that have been created since 1979 are less than $7,000 a year. The minimum wage, which you addressed, has not been changed in six years. The cost of living has gone up 25 percent; the real value of that $3.35 minimum is $2.50.

Our unemployment insurance system is in shambles. To our shame, only one-third of unemployed workers are getting unemployment insurance benefits. I think that is a scandal that needs to be addressed. If you go out on the street and ask anybody you meet, "What happens if you are unemployed?" they will explain to you that there is an unemployment insurance scheme, and they will get benefits for 26 weeks. They will, if they are one of the lucky three out of ten. Otherwise, they will not get unemployment insurance.

Not only are the unemployed and the minimum wage workers suffering. The middle-class has seen a substantial drop in its buying power. The average American worker has lost 8 percent in buying power from 1979 to 1986. We are told that is not too bad, actually. The median annual income for all American families has dropped only 4.5 percent in those years. Obviously, the loss of family income would have been even bigger if there had not been a huge increase in the proportion of those two-earner families. And it is only the increase in second incomes that saves so many families from losing even more.

Jobs paying at least a decent living wage are the key to a sound economy and to a healthy society. Low-wage jobs are no solution to this nation's economic problems.

Mr. Chairman, the text that we have delivered to you covers in substantial detail our analysis of the effects of the continuing deindustrialization of America; it tries to take a look at plant closings and mass layoffs, the shipment offshore of U.S. jobs, the effects of new technology, and the absolute and utter failure of our trade policies, and suggests a look at the recent reports of the Joint Economic Committee on the growth of poverty in the last six years and on the proliferation of low-wage employment in the economy, and suggests a look at the Department of Labor study on displaced workers—all of which point to the growth of a split-level economy in the United States.

I am sure that those reports are before your Committee, and they tell you far more about the situation and describe it far more fully than I could.

Our statement also talks about unemployment and the failure of that unemployment insurance system in some greater detail. I say that less than one third of the unemployed are getting benefits. Those that are lucky enough to get benefits are getting less than a third of their average wages when employed, and less than 60 percent of the poverty-level income for a family of four.

The minimum wage, as I say, is now worth $2.50 in 1978 dollars. If you seek, as you should, to restore its original buying power, you will have to raise it immediately to $4.60.

The challenge which this Committee faces over the next two years seems to us enormous, and the list of legislative concerns to be addressed is a long one. It seems to us that it ought to include standards to be applied to mergers and acquisitions and bankruptcy filings; standards that would try to protect the jobs, the collective bargaining rights, health benefits and pension benefits of workers; plant closing legislation; a general review of our collective bargaining system and its failures, with an analysis of the enormous up-turn in our country of anti-union conduct of employers; an analysis, I would hope, of the activities of labor—management consultants; and an analysis of the ineffectiveness of the remedies set out in the law.

What we need in short is an analysis of whether the National Labor Relations Act is in fact meeting its high purposes.

We need a similar analysis of OSHA and MSHA, and a comparison of performance to purpose.

Mr. Chairman, we need construction industry legislation to outlaw double-breasting and the ability of that union contractor to move employment and siphon jobs away from union workers. We need legislation on parental leave and daycare. We need to address, as I say, minimum wage legislation. And I would certainly endorse Senator Harkin's suggestion of a substantial examination of the maximum hours provisions of that legislation and an examination of the question of the viability of a 32- to 35-hour week, and examination of the overtime penalties of the Fair Labor Standards Act as well.

Something must be done about the unemployment insurance system to try to restore that system, and restore its ability to serve unemployed workers. Surely, we need improved job training, as you have heard this morning, not only, we would submit, for new labor market entrants and for the persistently unemployed and for the recently dislocated worker, but hopefully, for those who are about to be dislocated or stand to be dislocated in the near-term and who might somehow, with adequate notice, have an opportunity to gain some training before the ax falls.

I think you will need to address the question of pay equity, occupational disease compensation, the polygraph question. I think it may be necessary for your Committee to take a look at legislation to protect workers against the intimidation of random drug testing, or other abusive actions that ignore worker rehabilitation.

It seems to us that too often nowadays, it is the worker who is first expected to adjust and adapt to the workplace. We are told to cooperate, to make concessions, to be flexible, to be restrained, to work harder. Some of those demands now come couched in the latest, hottest buzzword of "competitiveness". But the reality is that the worker alone cannot solve the nation's problems and make us more "competitive". Human sweat is not the only component in productivity. Education, training, research, investment, new technologies, rebuilt plant and equipment, improved labor relations, real opportunities to participate in planning and decision-making, and a safe and healthy workplace are all components that we need to develop and improve if we are going to try to make the worker's arm longer and stronger and thereby achieve the increase in productivity that we all seek.

It seems to me that there should not be any confusion about the worker's role in all of that. There are people in our society who have surplus money to invest, and they can afford to be flexible or make concessions or target their investment.

Workers do not have surplus money, and they cannot gamble with the rent money or the grocery money. It is time for everyone, for the employers, for the Federal government and for wage-earners to pull together and to put into effect programs and policies that could be developed with tripartite participation, programs and policies that would do something to make the work environment, economic environment, social environment better, better for workers and their families and better for America.

It is time for American companies to look to their responsibilities to provide employment for U.S. workers as one measure of their success and their competitiveness.

I refuse to accept as success for American corporations their layoff of U.S. workers and their hiring of nationals in other countries, with their product shipped back here.

If our employers and government do not look to these kinds of actions, things are clearly going to go from bad to worse. With present trends extended, we are going to lose another 2 million jobs in manufacturing by 1990, and we are going to lose another 5 million manufacturing jobs by the year 2000.

If we do not do what needs to be done, there will be a permanent under-class in this country of 4 to 6 million people unemployed, without hope for employment, in an absolutely polarized, two-tier society, with our middleclass disappearing, and with everybody's standard of living sinking lower and lower.

Thank you, Mr. Chairman. We would be happy to try to address any questions.

[The prepared statement of Mr. Donahue follows:]

87-1

Statement by Thomas R. Donahue, Secretary-Treasurer
American Federation of Labor and Congress of Industrial Organizations
to the Senate Committee on Labor and Human Resources,
on the Employment-Unemployment Outlook

January 13, 1987

Mr. Chairman, I appreciate this opportunity to present the views of the AFL-CIO on the outlook for employment and unemployment and on the policies and programs needed to expand job opportunities for America's working people and to reduce the terrible costs of persistent high unemployment, under-employment, poverty, and declining living standards.

I'd like to cite a few statistics.

There are 111 million Americans at work today, but

-- 8 million are unemployed and seeking work;

-- 1 million discouraged workers have stopped looking for jobs;

-- 5 million Americans are working only part-time because no full-time jobs are available.

That's at least 14 million Americans suffering unemployment and under-employment.

The number of jobs has grown by 11.3 million in the past six years, but before that jobs grew 10.5 million in just four years.

The workforce has grown by 11.7 million in the past six years, but only 11.3 million jobs were created.

A comparison by decades tells the unemployment story:

-- 3 million were unemployed in the average month in the 1950s and that went to

-- 3.5 million in the 1960s;

-- 5.8 million in the 1970s; and

-- 8.2 million in the 1980s.

And the unemployment rates went from

-- 4.5 percent in the 1950s, to

-- 4.8 percent in the 1960s;

-- 6.2 percent in the 1970s; and

-- 8 percent in the 1980s.

And even with the drop in unemployment reported last week, unemployment has been stuck around 7 percent for the last 30 months--giving us 7 years of unemployment at recession levels.

In each year since 1980, more than 20 million Americans have suffered from unemployment at some time during the year.

Two million jobs have been lost in manufacturing since 1979 in a wave of plant closings and mass layoffs while we refused to adopt a realistic, coherent trade policy.

By contrast, jobs in low-wage service-producing industries have increased by 10 million since 1979.

Average earnings in manufacturing are over $400 a week. But in the areas where the most jobs are created, in the service sector, average earnings are much lower--$177 a week in retail trade, $269 a week in the service industry. In all, 60 percent of the new jobs created since 1979 paid less than $7,000 a year.

There are more than 15 million workers in America who are paid at or around the federal minimum wage of $3.35 an hour--far below the $5.30 an hour necessary for a wage earner to lift a family of four out of poverty.

And the minimum wage law has not changed in six years even though the cost of living has increased 25 percent, reducing the real value of the $3.35 minimum to $2.50.

To this country's shame, only one-third of unemployed workers are getting unemployment insurance payments.

But not only the unemployed and the minimum wage workers are suffering. America's middle class has seen a drop in its family income buying power.

Median annual income for all American families--measured in dollars of constant buying power--dropped 4.5 percent from 1979 to 1985--from $29,029 in 1979 to $27,735 in 1985. The loss of family income would have been far bigger if there had not been a huge increase in the proportion of two-earner families since 1980. In fact, the average American worker lost eight percent in the buying power of his or her total weekly earnings from 1979 to the end of 1986.

Jobs paying at least a decent living wage are the key to a sound economy and to a healthy society. Low-wage jobs are not a solution to this nation's economic problems.

Yet a recent report issued recently by the Joint Economic Committee shows that jobs added to the economy between 1979 and 1984 were disproportionately at the low end of the wage and salary scale; 97 percent of the job gains among white men were below $7,000 a year, and minority men and women are also suffering from a reversal of the trend toward higher wages for minority men in the 1970s.

The de-industrialization of America with plant shutdowns and mass layoffs resulting from massive trade deficits and waves of unregulated corporate mergers and takeovers are adding to the elimination of jobs that have been the foundation of America's solid, middle-income, middle-class society.

Changing technology, shifts in the structure of industries and occupations, new patterns of international trade and international economic competition, and shifts in the American labor force have also contributed to job loss and persistent high unemployment.

The Labor Department has made two studies of displaced workers whose jobs were abolished or plants shut down since January 1979. They found that about 11 million workers lost their jobs in each of two five-year periods, about 50 percent of them in basic manufacturing industries, and that one-third of the displaced workers were unemployed or out of the labor force at the end of the second five-year period. The average real earnings loss for displaced workers who subsequently found a job was 10 to 15 percent--but 30 percent of the re-employed blue-collar workers and 24 percent of the re-employed white-collar workers had earnings losses of 25 percent or more. The loss of a job often means loss of pension rights and loss of family health insurance protection as well as loss of earnings and income.

This adds to the accumulating evidence that the shift of jobs from goods production to service and sales jobs is leading to fewer middle-income jobs and more low wage jobs.

We seem to be moving toward a split-level economy with high-pay, high-skill jobs for a few executives, scientists, engineers, professionals, and managers at the top, with more low-pay, low-skill, part-time, temporary, high-turnover jobs at the bottom--but fewer and fewer middle-level, good-pay, permanent, full-time jobs, the kind of jobs that offer hope and opportunity and entry into the mainstream of American life.

Whatever the combination of causes, the stark reality for millions of Americans is persistent unemployment and under-employment and low incomes and poverty.

Unemployment is not a small, temporary problem which affects only a limited number of Americans. It is a big, persistent national problem with very serious costs and consequences for America.

Unfortunately, traditional "safety net" protections for jobless workers have been seriously cut and weakened during the last seven years. While two out of every three jobless workers get no unemployment compensation payments at all, those lucky enough to get unemployment compensation find their payments average less than one-third of average weekly wages covered by unemployment insurance and less than three-fifths of the official poverty line for a family of four.

The economic costs are horrendous. For every one percent of unemployment, America loses at least $100 billion in unproduced goods and services, and the federal treasury loses $30 billion in lost tax revenues and extra welfare and unemployment compensation costs.

You cannot put numbers on all the human and social costs of unemployment--but the bottom line is a lot of human misery.

How are you going to put bread on the table? How are you going to make the mortgage payments? How are you going to pay the medical bills for yourself and your spouse and your children?

These questions bring daily crisis and daily tragedy for millions of jobless workers and their families.

Even those who work do not necessarily escape poverty because some workers don't earn enough to lift themselves and their families out of poverty. In 1984, there were more than 9 million people living below the official poverty level who worked for at least part of the year, and nearly one-third of them were working full-time year-round, according to the Census Bureau. Furthermore, about one out of every six families in poverty had two workers in the labor force. Even the minimum-wage worker lucky enough to get a full-time, year-round job earns less than $7,000 a year--36 percent below the current poverty line of $11,000 a year.

The cost of living has increased more than 70 percent since Congress planned the adjustments that finally led to $3.35 an hour in 1981. To restore the buying power of $2.65 in 1978, a minimum wage of at least $4.60 is necessary now.

Working women suffer particularly from low and discriminatory pay structures. They would benefit from action to achieve true pay equity. All working parents need day care and parental leave and other family protection legislation.

All workers would benefit from organizing, but life in the workplace too often includes anti-union activity and invasion of workers' privacy by employers. For example, the use of the polygraph to intimidate employees occurs all too often.

Too often workers' rights are violated directly by management in collusion with sophisticated, expensive, union-busting "consultants." And too often these rights are violated indirectly, as, for example, by "double-breasting" construction contractors who set up low-wage non-union companies to compete with their own unionized operations.

In its role as the general protector of the standards of our society, the federal government has a role to play in stemming destructive forces, easing transitions as our economic base is rearranged, and protecting the well-being and rights of the individuals who are caught up in this maelstrom of change.

Although it is not directly in this committee's jurisdiction, we cannot discuss the employment and unemployment situation without stressing the critical need for trade legislation that works to reduce the trade deficit and stem the unnecessary loss of jobs that are being exported to other countries.

This committee does play a significant role in developing policy that enhances the ability of a worker to maintain a productive place in the workforce, to maintain his or her family's standard of living through employment, and to enjoy his or her individual dignity and rights in the workplace as in the community.

The AFL-CIO sees a pressing need for the following to protect worker attachment to the workforce:

• Standards to be applied to mergers, acquisitions and bankruptcy filings which protect the jobs, collective bargaining rights, health benefits and pension benefits of workers in a company which is bought, merged or declared bankrupt.

* Plant closing legislation with advance notice requirements and other relevant protections for workers and local communities against "sudden death" shutdowns and mass layoffs.

* Construction industry legislation to prevent an employer with a union contract from unilaterally taking action to siphon jobs away from union workers with whom he has a contract.

* Legislation on issues such as parental leave and day care, which protect the job security of individuals while recognizing that the fulfillment of their family responsibilities is a benefit to the general society.

To help workers cope with the increased difficulty of maintaining their standard of living, efforts will be necessary in the following areas:

* New minimum wage legislation to bring the lowest wage rate to a more equitable level offsetting the erosion of its purchasing power.

* More adequate unemployment insurance to restore this bridge over economic dislocation to all unemployed workers.

* Improved job training, not only for new labor market entrants and the persistently unemployed segment of the population, but also for the recently dislocated workers who have had a long history of labor market attachment but whose industry or skill market has disappeared.

* Protection of pay equity for women to assure fair treatment for all workers.

* Occupational disease compensation to provide income maintenance to those who lose their health and earning power to injury or illness from the workplace.

To protect workers from being stripped of their individual dignity and rights in efforts to protect property or in the misapplication of a solution to general societal problems, there is a need for legislation:

* to protect workers against invasion of privacy by polygraph, and

* if necessary, to protect workers against the intimidation of random drug testing or abusive actions that ignore rehabilitation.

Too often, workers are expected to adjust and adapt to the workplace. We are told to cooperate, to make concessions, to be flexible, to be restrained, to work harder. Some of those demands on workers come couched in the latest, hottest buzzword, "competitiveness."

But the worker alone cannot solve all the nation's problems and make us "competitive." Human sweat is not the only component in productivity.

Education, training, research, investment, new technologies, rebuilt plants and a safe and healthy workplace all are components needed to make the worker's arm longer and stronger and thereby achieve the increase in productivity we all seek.

There should be no confusion about the worker's role in all this. Some people have surplus money to invest, and they can be flexible or make concessions or target their investment. But workers don't have surplus money, and their rent money or grocery money is not something they can gamble with.

It's time for everyone--employers, the federal government and wage earners to pull together to put into effect government programs and policies that will do something to make the work environment, the economic environment, the social environment better for workers and their families, better for America.

If there is no such action, things are going to go from bad to worse. We will lose another two million jobs in manufacturing by 1990 and lose another five million manufacturing jobs by the year 2000.

If we don't do what needs to be done, there will be a permanent underclass of four to six million unemployed in a polarized two-tier society with America's middle class disappearing and everyone's standard of living sinking lower and lower.

Mr. Chairman, I appreciate this opportunity to present some of the concerns of the AFL-CIO. Thank you.

-30-

The CHAIRMAN. That is an excellent summation, Mr. Donahue, and a very full agenda in terms of reaching the full opportunity for workers in our society.

I am wondering if just initially, we could address the issue of the trade questions. I would like you to address two different subjects in which there is a good deal of comment on and get your insight.

One is concerning the question of the difference in pay which accounts for our competitive disadvantage. Those who make that assumption presumably support a downward trend in American wages as improving our competitiveness. We hear a lot that American workers can no longer compete. I think all of us are familiar with examples of where American workers are not only competing, but winning. We have seen examples out in the GM Fremont Plant in California, where American workers are now out-performing and out-producing their competitors in Japan and Western Europe.

Tied with this is the whole question of productivity of American workers and its relationship with our trade problems. Could you talk just a little about the issues of compensation and productivity? I think that is important. It is a feature of the whole debate that I think we need some insight into and some truth about.

Mr. DONAHUE. Senator, I think you must start that with an examination of what are we losing and to whom. We are carrying the heaviest trade deficit with Japan, and demonstrably, Japanese wages are nearly equal to ours, and there was a recent study the other day contending they are even higher than ours in order.

So that it cannot be wages in the Japanese example. American workers are among the most productive in the world, so it cannot be a productivity question of the American workers. It might have something to do with the number of mid-level managers in American corporations. It might have something to do with our failure to invest in new plant and equipment overall over these years—if you are looking at Japan.

If you are looking at the trade deficits that we are running in other nations, in Mexico and Canada, I find it hard to accept the view that we have a $22 or $24 billion deficit in Canadian trade because Canadian workers are somehow, quote, "more competitive" than we are, that their productivity is higher. They work roughly for the same kinds of employers, they are the same kind of people, the same kind of society. I do not think that is the answer at all.

I think that we can be competitive in the world. I think the most eloquent testimony I have heard is that of Amory Houghton, the new Congressman from New York, former chairman of Corning Glass, who has a very simple story he tells, that he sells fiber optics; he sells fiber optics in the United States for 50 cents per meter. He sells them in Japan for $2.00 per meter. The Japanese fiber optics are sold for $1.50 per meter in Japan. One wonders why he cannot sell his product for 50 cents in Japan. It has something to do, they tell him, with the Japanese "distribution system" and all of the other problems that are forever alluded to.

It seems to me, Senator, that neither the pay nor the competitive arguments have very much to do with our failures in trade. I think that the whole issue of being more productive has to continually be addressed, in all of its parts, and that has to include investment in new plant and equipment, the creation of a decent working atmosphere, and all of the elements of production—not simply why isn't this worker more productive, or can we pay him less, and therefore produce cheaper product.

For years, we believed that we were the envy of the world because we had the highest wages and the highest standard of living, and we are enormously proud of that. Now, suddenly, that has become a terribly serious handicap to us, and I guess we must be prepared to give it up. I do not think that is the answer at all. I think that the answer lies in trade policies which would truly make us competitive in other people's marketplaces. I do not think that we can build borders around this country and keep other people's products out.

I do think we have to take a look at a trade deficit which is running over $170 billion last year, and find the ways by which to reduce that deficit.

I did not agree with the approach on Gramm-Rudman, but it seemed to have echoes in the country and support. I would like to see the Congress take the same approach with the trade deficit. It is $170 billion, it is intolerable, it has been climbing every year. We were told two years ago that the change in the value of the dollar would solve the problem. It has not. We are told now that trade negotiations over the next four years will solve the problem. It will not.

The solution to our trade deficit, I think ought to be to take a look at it, cut it in four pieces, and let us get rid of 25 percent of it every year for the next four years. Let us tell the Japanese not that they cannot ship their product in here, but that they have to ensure that we sell that much product in their country, that we will cut their deficits by having more exports into their markets.

If we do that, then we are going to have a competitive economy; then we are going to have industries which are developing first-line products and able to carry out the R and D and develop the second generation, third generation, fourth generation products. We are losing that ability totally now. We are losing the ability to carry out the R and D, and we are eventually going to lose those future-generation products.

The prospect for manufacturing in this country is a very glum one, and I think if I were in manufacturing as an investment, I would probably put my money someplace else.

We have to change the trade policies if we are going to have a "competitive" manufacturing industry.

The CHAIRMAN. That is an interesting idea about the trade deficit and Gramm-Rudman. I had not heard that one.

Let me ask you just to talk on the minimum wage issue. We are going to be addressing that issue one way or the other in this Congress, and I know' in terms of trying to give consideration as to what that figure may be, that is still under consideration.

But I am wondering if you would address that question for us for a moment? The point is made that actually the total numbers that are being paid minimum wage are not really that high, that if it is part-time work, we heard the Secretary indicate about 75 percent of the people want the part-time work. That runs contrary to the figures that we have, which indicate about 80 percent of the people that are part-time would like full-time work. It was interesting getting into the different studies on this question.

But could you talk about what the implications would be on this? You heard this morning the argument made that if we raise the minimum wage, we are going to be throwing thousands of workers now out of work, and this is a disservice to the working people of our country. That is one of the other myths, I think, on this question. It is going to be inflationary; it is going to add to our noncompetitiveness, even though I do not think people who are making the minimum wage are producing, probably, the kinds of products that are involved in international competition, but that is an element that I have heard raised, throwing people out of work. These are some of the arguments that are raised on this issue, and I would be interested in your response to those who raise them.

Mr. DONAHUE. Senator, earlier this morning, I watched Secretary Brock say on the television that there were very few people earning the minimum wage in this country. And I was heartened by that, because that ought to mean that there will be practically no opposition to raising it. [Laughter.]

If no one makes it, then who cares about it? We may as well raise it up.

I would like to just step back from the immediate issue and take a look at what is the minimum wage and why do we have it. We have it to try to help people to earn some minimum level of income, to cut out the kind of barbaric and exploitive competition for workers that had existed prior to its enactment. And we said that it ought to be at a level somewhere near 50 percent of an average manufacturing wage. I am struck by how much all of these things reflect the kind of thing Senator Simon was addressing in the growing disparity of income in this country.

So we have tried for years to see to it that that minimum wage level was maintained, that we ought to have a wage somewhere around 50 percent of the average manufacturing wage. That will compress the spread of wages; that will give people incentives to work; that will give people incentives to improve their working opportunity.

That is clearly not the case today. To be at that level today, you would have to be at about $4.60. I think that what this Committee ought to look to is the development of a percentage formula for the minimum wage. We think it ought to be in that 50 percent range, and to get there, there is a mechanical way of taking the July average, setting 5 percent of that July average in any given year on the assumption that within the next year it erodes sufficiently to be close to the 50 percent figure, and peg it at that percentage figure.

Now, that would mean an immediate increase to about $4.60, $4.70. At that point, I think I would conclude my testimony, Senator, on this subject, because from there on—I have always been told politics is the art of the possible, and I do not know if you can manage $4.60 immediately. I think you should. I think this Committee should, and I think the Congress should.

But I do think that when the value of the minimum wage is restored, when it comes back into that 50 percent, 51, 52 percent relationship, then it should be pegged at a percentage figure, and the adjustment should be automatic thereafter. We worked very hard for that change in the 1977-78 law, and at the last minute, lost on that issue. But I think that ought to be the goal of the Committee, Senator.

The CHAIRMAN. Would you please comment about the displaced workers? We always hear from those opposed to increasing the minimum wage, that restoring it will result in a loss of a number of jobs. As I understand the six seminal studies that have been done, when there has been an increase of minimum wage, it has actually indicated that there has been an expansion of employment in two of those, and that there is not the data to support that it means the displacement of workers. That is at least the information that has been available to me. I do not know whether you have something different. It seems to me to be extraordinary to have the spokesmen for working people talking about an increase in minimum wage if it is going to spill over in the loss of employment for people. It does not seem to me that that would make a great deal of sense.

But I would be interested if you have any comments or wish to submit anything for the record on that.

Mr. DONAHUE. There are those issues that just will not die, and this is one of them, that has been debated and argued about in this chamber and others for, I would guess, the last 50 years, 45 years. And there has been study after study after study after study, none of which support the proposition that the minimum wage is destructive of employment, or increasing the minimum destroys employment. But the issue will not die.

I thought it was going to die, I guess, two amendments ago when we had a blue ribbon commission, and we had an exhaustive analysis of the issue, and they concluded that that was not true. But it has not died. It will be back, and Senator, as long as you are here and Senator Simon is here in this Congress, it will be facing you every time anybody deals with this minimum wage issue; and someone will suggest that, well, we should not act, we ought to have another study, and that will consume another year and a half of time.

I would like to ask Rudy Oswald to comment on that. He has been involved in probably every examination of those minimum increases over the years.

The CHAIRMAN. Yes?

Mr. OSWALD. Senator, in general, practically each time the minimum wage has gone up, employment has also increased. But I think part of it is that people are not really speaking about increases in the minimum wage. They are talking about bringing it back to where it was. So it is not that the real minimum wage is going up; it is just that it is being readjusted to the same relationship it once had. And when people talk about increasing unemployment, they talk of it as if there were real increases in the minimum wage, rather than just adjustments, and they do not make that distinction.

Mr. DONAHUE. I think, Senator, just one other point on minimum wage. Some of the earlier testimony talked of it in terms of "youth employment". Well, it is not "youth employment"; it is "adult employment". It is the employment of lots of single heads of families, it is the employment of adult women and adult men who are forced into minimum wage jobs.

If it were just a youth problem, you would not have dealt as you have over the last 15 years with the argument about a sub-minimum for youth. There would not have been such an argument. Obviously, the people who propel the argument for a sub-minimum for youth recognize that there are adults at that minimum wage. That minimum at $3.35 is not doing those adults a bit of good.

The CHAIRMAN. Let me just ask a final question, a more philosophical question, and that is if you could tell us a little bit about the mood of the American worker, the industrial worker, at this time. Is there a very deep kind of anxiety and concern in terms of their whole future employment possibilities and how they view the future in terms of their children? You spend a good deal of time, I know, visiting these people out across this country, and I would be interested in what you might tell us you are hearing from those who are out there producing the real wealth of this country, and that is in terms of their skills and their talents, taking these various raw materials and manufacturing and providing for our national security and our national wealth and our national being.

What are you hearing now?

Mr. DONAHUE. I would guess, Senator, I would characterize it in three words. I would say they are scared for their short-term prospects, depressed about their long-term prospects, and worried—gravely worried—about the future of their children and their ability to work and live in this country.

The CHAIRMAN. Do you find that that is different, really, from what you have seen over, say——

Mr. DONAHUE. Of course, surely. I think there was always a mood of hope among people. I have not, and I do not think you have known, an age in this country when people did not have the expectation that their kids were going to do better than they did, that there was some brighter prospect for them out there.

Our people do not feel that today at all. They feel their kids will be lucky to hang onto the kind of tenuous existence that they have.

I spent some time out in the Monongahela Valley, talking to unemployed steelworkers, and it is the most depressing experience of your life. These are people who have spent 13, 15, 20 years in the plant, and there is no job for them, no work for them, nothing in the area for them. They face the disruptions of moving, if they could find other jobs, and so forth.

The people who are working, not just in those areas, but all over the country, know those stories all too well. There is hardly a day you can pick up the paper, and you do not read that story, of a number of workers facing imminent layoff. It was GE yesterday, it was AT&T last month, it was GM at the same time. Barely a day goes by that there is not that announcement in the paper that somebody has merged with somebody, and he is closing the plant in Wichita, or simply moving production offshore, or whatever.

I remember very clearly talking to a steelworker in Allentown, Pennsylvania last year. It was in a Q and A session in a meeting we had. And he got up and said, "I worked at Bethlehem for 13 years. I have been laid off. I went to the employment service. They tell me I am eligible for Trade Adjustment Assistance, I am eligible for retraining allowances, relocation allowances, a stipend while I am training, and so forth. But," he said, "they do not have any money. What should I do?"

I had no idea what to tell him, no idea in God's world what to tell him to do, because TAA, for all practical purposes, does not exist, and under the current budget it is proposed that it disappear entirely.

I think the mood of people in that kind of employment is depressed. They are scared, depressed and worried. I think the people who work in our service industries, with which I am far more familiar, since I come from the Service Employees' Union, see very little hope for their ever improving their conditions in their hospital, in their janitorial jobs, in their restaurant jobs, or whatever. They do not see that bright, new world out there for themselves or for their children.

The CHAIRMAN. Senator Simon?

Senator SIMON. Maybe we ought to stop right at that last point, because that really is vital. But I will take the politician's prerogative of asking just a couple of questions.

What is the average manufacturing wage? I am interested in your theory of tying it to——

Mr. DONAHUE. It is about $400 per week, $390-some.

Senator SIMON. But in hourly terms, it would be what?

Mr. DONAHUE. About $9.70 to $9.75; close to $10 an hour.

Senator SIMON. Second, the one thing you did not address that concerns me a great deal is the use of our resources for companies simply to gobble up other companies rather than improving productivity. And if I can just use a very practical example, Borg Warner in Illinois was planning on building a quarter-of-a-billion-dollar plant. That would have been a lot of construction jobs. It would have been a lot of jobs once that plant was built. Instead now, because they are threatened, they are going to spend money putting names on paper, and we spend huge resources of this country just changing titles instead of improving the productivity of this country.

Do you have any comment on that?

Mr. DONAHUE. Well, you could look at USX when it was U.S. Steel and before it gobbled up Marathon and ask, wouldn't it have been interesting if U.S. Steel had tried to spend some of that money in improving their plant and equipment. Would we have 22,000 people on lock-out for six months in USX now? I do not think so. I think we might have a productive U.S. Steel plant with new equipment, able to be competitive.

I do not know that there is any net gain to the nation in having U.S. Steel or USX own Marathon Oil; yet the costs of making that transaction—quite apart from the transactional costs, on which the brokers all get rich—the costs of all of those transactions appear, in almost every instance, to be the closing of plant, the closing of facilities, and the diminution of employment opportunity. That is an almost given pattern.

The CHAIRMAN. Would you just yield on that point?

Senator SIMON. Yes.

The CHAIRMAN. That does not even include the interest on those loans which are being picked up by the average taxpayer, which is the average worker, as well.

Mr. DONAHUE. Sure.

The CHAIRMAN. I mean, all of those provisions, even under the current tax law, which means you have the dangers of the plant closing and they lose their jobs, but in terms of the financing and funding, it is being funded generally by where the money is coming for the taxes, and that is primarily by workers themselves who are out there, working.

Mr. DONAHUE. Absolutely, yes.

Senator SIMON. And if I could just add—I do not mean to interrupt you once again—it is not only that tax deductibility that we all pick up, but by increasing that demand, you force interest rates up just a little more so that there is a double-whammy on the people of the nation.

Mr. DONAHUE. Sure. Senator, I tried to say in my testimony that that is a subject that this Committee ought to take a look at. I can well imagine that the responsibilities for that kind of legislation may stretch across a couple of committees in the Senate. But certainly, the employment aspects, or the disemployment aspects, of mergers and acquisitions is a fair subject for inquiry by this Committee, and a fair examination of it might tell the country a good bit more than we know about those disemployment effects, because they are very clear; they are there.

And I think the question ought to be examined of should we have a law which says that if the managers of a corporation decide to protect themselves with a "golden parachute", at just an astronomical price to the corporation and the stockholders, why should they be allowed to do that? Why shouldn't we require, as we do with pensions, that their parachute cannot be much bigger than everybody else's, and thus create a very big umbrella, instead of a "golden parachute" for the few?

I think that is a fair subject for inquiry. We do not allow that in the pension field. We do not allow top managers, the highest income-earners, to have pensions which are disproportionate to those of the workers in the same pension plan. I think it is a fair question about these "golden parachute" arrangements, and we might bring an end to that if they found out they had to share the wealth with everybody in the corporation.

That whole subject of the continued employment of people in the merged companies, and the maintenance of that employment, is a serious one to be looked at.

Senator SIMON. Yes, I concur completely. Senator Metzenbaum is going to be heading the Antitrust Subcommittee, and I think we ought to take a good, hard look at that. The illustration you use is a perfect illustration. U.S. Steel bought Marathon Oil for $6.5 billion, borrowed $5.5 billion of it. The steel plant in this country is, with rare exceptions, not up to what it should be. We did not create one new job; we did not dig one new oil well. It just did nothing for the economy of this country, other than to concentrate economic power a little more. And I think we have to be looking at that.

Let me just also indicate my agreement on your stress on the fact that we cannot be accepting this, what I think is a myth, that we are just going to become an information society or a service society. If we are going to maintain a standard of living in this country, we have to manufacture things. And whether it is our tax laws, where I differed with my friends from the AFL-CIO—I voted against that tax bill that encourages the service sector or whatever it is—I think we have to look at trade laws and everything else to encourage that manufacturing sector in this country a great deal more than I have. And I commend you for your testimony.

Mr. DONAHUE. Thank you.

Senator SIMON. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much.

Thank you, Mr. Donahue, for your excellent comments.

Mr. DONAHUE. Thank you, Mr. Chairman.

The CHAIRMAN. Our next witness is Bishop Joseph Sullivan, Auxiliary Bishop of the Diocese of Brooklyn, Chairman of the United States Catholic Conference Committee on Social Development and World Peace.

Bishop Sullivan, we welcome you to the Committee.

STATEMENT OF THE MOST REVEREND JOSEPH M. SULLIVAN, CHAIRMAN, SOCIAL DEVELOPMENT AND WORLD PEACE COMMITTEE, UNITED STATES CATHOLIC CONFERENCE, NEW YORK, NY

Bishop SULLIVAN. Thank you, Senator Kennedy.

Not only do we appreciate the opportunity to speak to you today, but we congratulate this Committee, for we believe to raise the public consciousness about the problems that you have identified of unemployment and poverty in this country is a great need in our society, In the sixties, we saw poverty at least coming to the public's attention as no longer an invisible problem; and except possibly for the reality of the homeless on our streets today, poverty for many people, and unemployment, are invisible problems to much of our society.

We are grateful that you are holdings these hearings. I guess if there is any one point to our testimony, it would be that there would be the public clamor and the political will and the moral initiative to do something about the problem; that we would do what the Bishops say in their pastoral, that the key to participation in this society is a job. And it is jobs, jobs, jobs, I think, that is the issue. The Bishops have placed the question in the moral context, that is, what does this economy do for people, what does it do to people, and essentially, how do people participate in shaping the economy.

Our position today is not one, either as economists or experts, in how to resolve the problem. Even in the pastoral, we acknowledge that we do not have a textbook on how to solve the problem. We are trying to raise the American consciousness around what we feel is the moral dimension of the problem and to create a framework, an angle of vision, a moral vision, for critiquing the problem of the American society.

We have developed a framework which talks about principles, and the primary principle in our teaching is the value of the person, the inalienable dignity of the human being and what joblessness does to a person who does not have an opportunity either to express himself creatively, to have some sense that he is supporting himself and his family, and the kind of concomitant social characteristics of behavior that result from that alienation and non-participation. Also, we are one family, the way an individual participates in the society, the solidarity with that community is expressed in society by participation and a job, and that is the way a person gains not only their own self-esteem but the esteem of other citizens in the society.

We see also the need for basic human rights being protected as a minimum condition for protecting the person's personal dignity. The Bishops argue that, we have had in the great American experiment, a capacity to guarantee and to protect civil and political rights. What we are calling for is also for economic rights; that not only do people have a right to the basics of food, clothing and shelter, but an education that prepares them for life, the kind of medical attention and care that enables them to lead a healthy life, and then fundamentally to participate in society through a job.

Also, we have one other principle which we have enunciated which we feel is the test case of any society that calls itself humane and compassionate, and that is what it does for poor people, how does it measure itself on what it does for the poor people in society, people who are unable to work as well as poor people who are working.

We have approached the problem, by taking the empirical data in these two areas, unemployment and poverty, within the context of a moral framework. Our argument is that we believe the only way you build a healthy and a compassionate society is that you provide opportunity for inclusion and for participation, a sense that we are one human family, and that there is a major responsibility at the Federal level for protecting the health and welfare of the American people.

I think we have retreated from this vision in the past five or six years. I think we have gone in the direction in which we are willing to tolerate a level of unemployment unheard of in our society as acceptable and which the Bishops call intolerable. The only people who talk about affording a certain level of unemployment are people who are employed. I never hear people who are unemployed talking about being able to afford unemployment.

So it seems to me that if we are going to do something, then we have to do something about the economy, to create a tight labor market, and it is our position essentially that we have to have macroeconomic policy that creates opportunity for people to participate in the society.

The present situation, as we have seen from the Congressional Joint Economic Committee's reports, indicates a loss in the development of new jobs. And 60 percent of the jobs that are created, as Mr. Donahue has indicated, pay less than $7,000. Many of our jobs that we have created in our society are not only part-time, but they do not have the benefits and protections that accrue to people, for example, so many people are left out of access to health care in American society today.

We feel that there is a need, then, for us to take on the priority of public leadership create new jobs, and provide, job training, education, preparation, for people to get not only a decent job with adequate pay, but also decent working conditions and the necessary benefits.

In order to do this, it seems to me we must change our attitude. I believe it is not only a matter of creativity, how we do it, but I think there has to be the political will to do it. We see what goes on in profiteering on Wall Street, and that all information is not gained legally, and that not all people who have moved ahead have been more entreprenerurial than others. We see so much of our industry riddled, as we see in New York City where I come from, riddled by organized crime, and where we see what policy at the Federal level can do when the Federal government turns its attention to trying to root out that kind of influence. We see the government putting away many people today who have infiltrated the private sector and control it in some ways, by power and force and even violence.

We have to have a new commitment, as the Bishops say in the pastoral, to create the new American experiment, to move beyond competition, toward collaboration. We need to bring the various sectors of our economy together—business, labor the not-for-profit community, and government. It is traditional in our thinking and in our philosophy that government's role is not one that is a negative role, it is a positive role, and the government can intersect with the private sector, making it possible by incentives, by creative strategies, for the private sector to grow.

We have seen it happen in other countries, as Senator Simon has indicated. That happens because of public policy. It is not because they have greater genius, in the private sector. It is a collaborative relationship.

I come from a city and State where we almost went into bankruptcy a few years back in 1975. We had a great Governor, Governor Carey, who refused to let that happen. What he did was to bring the banks together, the labor unions together, bring government together and the community together. And not only were we able to bring the Federal Government together and get the kind of aid that made survival possible, but it brought about a kind of a revival in New York City. The Federal Government's aid made it possible for us to pay off the loan, and pay it with interest, and to pay ahead of time. That is a commercial for New York City.

But the point is, it showed to me a microcosm of what can be done when you bring the various parts of the community together. I believe there is a need for making that possible. I think that when it is not possible to do it, when there are some jobs that have to be created by direct job creation, not only for the public sector to help the private sector to do that, but then as a last guarantee to do it itself. When some people cannot get off welfare, and they have gone through the training programs, and there are no jobs in the private sector, then I think, what may be very unpopular and in some ways seems like a regression in circles down here today, we have to guarantee jobs to people. I believe it should be done in the private sector primarily. When it cannot be done, I believe the government has a responsibility to see that people have work.

I think that that is a society that not only cares about itself; it is a society that values its people.

We would also look forward to seeing something done about the poverty problem. I do not think there is any greater face on the poverty problem in a sense today than the scandal of homeless people on our streets.

I live in a city where there are 46,000 people on the streets of New York City, 26,000 to 30,000 housed every night, whether it is in a welfare hotel or whether it is in an armory. It is a disgrace.

I even hear of people who have made fast fortunes in recent years on Wall Street who also see it as a disgrace and feel, quite frankly, guilty about it, that we are not taking greater initiative to do something about it to build housing.

And what has ground almost to a stop here in Washington is any public housing, cutting constantly subsidization of housing. And if we do not believe that Federal policy has any impact, what we have done from the Seventies on in housing is what has created the housing problem. This is not really just people who cannot make it in the society. This is a society that has not made it possible for people to make it in the society.

So I believe that we need to do something about the poverty and welfare reform. There are a number of initiatives that are being taken. We have talked about it here in Washington, but we always seem to talk about it in the sense that the victim is there because the victim has not had either the moral initiative or the willpower to connect into society.

I was in Chicago last week and watched that program that Hodding Carter did on the Frederick Taylor housing to see what happens when you segregate housing and you create that kind of high-rise getto housing. One thing became very clear in that presentation. There was nobody helping the mother of the family. We have talked about all kinds of programs, but no one looked upon how we could connect that woman into society, make it possible for her and for her children to connect.

So people turn away from a program, saying, "This is hopeless." And yet we have created part of the problem. We have created the kind of housing that has done that. We have not put the services there. We have not given the opportunity.

I believe welfare reform should be on our agenda again. It has to be reformed. I believe we should look at the New York study that was recently done, which talks about welfare as transitional; welfare, where you put services up front, opportunity up front, education up front, and where we make it possible for people to get connected back into the society.

What we see in our area, 70 percent of the people on welfare in New York City began as teenage mothers. There has got to be a better way for these teenage mothers.

We have problems in New York City today of racial tensions. And while people will relate it to an incident, it is more than an incident. You cannot have 50 percent black and Hispanic youngsters unemployed in New York City and not expect to have intergroup tensions and intergroup difficulties, in a sense, of people looking down on other people because they are not into the workforce.

I think we have to look at welfare reform. We have to make it possible for people, as soon as they come on welfare, to get immediate help, to get the services. There ought to be an expectation, quite frankly. I think it ought to be reciprocal in our society. Society has a right to expect its people to work, but the people have a right to expect that society provide the opportunity to work.

I think if we are going to look at welfare reform, then we ought to look at how do we do it. If we really care about these people and respect them, it seems to me we have to not only make it possible for able-bodied people to get a job but provide a decent and adequate level of income for people who in fact cannot work.

I have worked 25 years in Catholic Charities, and I can tell you that many of the people who are on public assistance want to work, that well over 90 percent even of the young mothers want to get out and get into a job; they want to be independent. Welfare for them has become a kind of prison without walls, and they see no opportunity for their children and their future.

We hear the working man saying that, who has been connected to the society through a job and maybe now has lost it. What about the person who has never had a job and never been able to be connected into society. What are we doing about it?

I think there is a great need to start to again revive a real consciousness in this country that we have a vast untapped resource, and that is our people; that we ought to make it possible for our people to participate in this society, and we ought to make it possible for people to get jobs, and when they cannot—and I can tell you about many of the chronic people who cannot work—then we ought to provide a decent income, and we ought to do it in a way with dignity for them. We ought not to make it a full-time job to be on welfare.

When people ask, "Why don't welfare people work?" I say, "They work. They work 40 hours a week, trying to deal with the welfare system." It is a full-time job just being able to deal with the welfare system, not only in the kinds of constant checks that go on, and going downtown, and having to go for your Medicaid renewal and your food stamp renewal and your eligibility renewal, and always doing this in some way, but never being given the dollar that it costs to get downtown, that comes out of the welfare check and so on. I think we have got to take a very, very serious look and say if we really care about the young people, particularly in the central cities, the minority young people, then we have to see not only a job as a way into the society, but we have got to see the welfare system reformed so it makes it possible for people to get training and to get education, to put it up front and to expect people to work.

I have never had a problem, and I do not think welfare recipients for the most part have had a problem about whether they wanted to work or not work. I think if we create the opportunity, we will see them work.

Lastly, I would just like to say if there is one thing we would look for this Committee to be able to do—and reading the front page of the New York Times this morning, its report on these hearings has created that kind of interest—is to see a government that plays a leadership role and an effective role in raising the consciousness level of our people so that we really care that every American is a valued citizen, and that we are not going to try to say that the only way we can protect the security of this nation is in expanding our military capacity, but that the way we will protect the strength of this nation is by investing in our people. It seems to me if we could move in that direction, I do not think we have to worry about the threat from outside. What I am worried about, and what the Kerner Commission reported back in the Sixties, is the threat from inside; the young people who see no future, because they see a society that really is not compassionate and does not provide opportunity.

One concluding remark. If there is anything we would like to see done about this economy, it is: jobs, jobs, and jobs.

Thank you.

[The prepared statement of Bishop Sullivan follows:]

Testimony of

Most Rev. Joseph M. Sullivan
Auxiliary Bishop of Brooklyn

on

EMPLOYMENT AND POVERTY

before the

Committee on Labor and Human Resources

United States Senate

Washington, D. C.

January 13, 1987

I am Bishop Joseph Sullivan, Chairman of the Social Development and World Peace Committee of the United States Catholic Conference. I speak today on behalf of the Catholic Conference, the national action agency of the American Catholic bishops. I appreciate this opportunity to present testimony on the issues of employment and poverty.

I come before this Committee, not with any particular economic expertise, but rather for the purpose of calling attention to some of the moral and human dimensions of these issues.

> "Every perspective on economic life that is human, moral, and Christian must be shaped by three questions: What does the economy do _for_ people? What does it do _to_ people? And how do people participate in it?"

These opening lines from our recently approved pastoral letter, _Economic Justice for All_, set the general context for my remarks today. I want to address the question of how moral perspectives can shed light on policy choices in the area of employment and poverty. How do normative questions of value and human purpose intersect with the hard data of empirical economic analysis in these areas? In short, how can we join the moral and the technical? I will then comment on the specific issues that are the subject of today's hearing.

As a basis for this discussion, let me briefly comment on the ethical framework that is embodied in our pastoral letter. In line with the Roman Catholic conviction that Christian faith and reasoned reflection on human experience are complementary, not contradictory, the pastoral letter addresses its ethical arguments both to Roman Catholics and to the public at large. The structure of this argument rests on several key principles:

- The dignity of the human person is the criterion against which every economic decision, policy, and institution must be measured.
- Because human dignity can be realized and protected only in community, all people have a right to participate in the economic life of society. Thus, economic policies must be evaluated in light of the ways they include or exclude people from sharing in the economic life of the nation.
- Human rights are the minimum conditions for life in community. These rights include not only civil and political rights, but also economic rights. All people have a right to the basic necessities of life such as food, shelter, medical care, education, and employment.
- All members of society have a special obligation to the poor and the vulnerable. Indeed one of the most fundamental tests for the justice or injustice of economic choices and policies is the impact they have on the poor.

These principles shape the moral vision of our entire pastoral letter. However, they do not lead directly to conclusions about policy in areas such as employment and poverty. The move from moral principle to economic policy must be mediated by careful empirical analysis of the issues, by a sustained effort to understand the causes of the problems, and by prudent efforts to assess the real consequences of proposed policy steps.

These basic moral perspectives do, however, provide a distinctive point of entry into the empirical discussion. They provide a distinctive angle of vision for the assessment of empirical and causal arguments about appropriate policy steps in areas such as poverty and employment policy. This angle of vision makes us particularly attentive to the social and human costs that other perspectives on policy might regard as tolerable or might even overlook. With this moral framework as a starting point, let me move to the specific issues at hand.

Employment

In our pastoral letter, we assert that full employment is the foundation of a just economy. Human work has a special dignity and is linked to the very meaning of life. Pope John Paul II has said that work is "a key, probably the essential key, to the whole social question . . . " Through work, human beings express themselves, actualize themselves. They become more human, more capable of taking responsibility for their lives.

Employment, then, involves more than mere economic productivity. It has to do with the very identity of the human person - - how individuals see themselves. It has to do with their dreams and their visions for the future, with their ability to respect and love their fellow human beings.

If we appreciate this special dignity that is attached to work, we begin to understand the tremendous social and human loss that results when millions of Americans cannot find work. People are, in effect, told:" "Society has no productive role for you, there is no contribution which you can make." As a result, alienation and loss of confidence intensifies, leading to increased personal and social distress.

Studies have thoroughly documented the direct and startling relationship between economic distress and increased mental illness, cardio-vascular disease, and infant deaths. High unemployment also frequently leads to greater alcoholism, drug abuse, family violence, and crime. Moreover, it contributes to rising social and racial tensions. Threatened by loss of a livelihood, workers are often tempted to look for scapegoats and may blame minorities, aliens, women or young people, with serious consequences for intergroup relationships.

Of special concern to us is the negative impact of the loss of income and employment on personal and family relationships. Unemployment very often results in the loss of the home itself. It places intense strains on families and is often a major cause of the disintegration of families and communities.

Our nation simply cannot tolerate having more than eight million workers unemployed. America cannot tolerate the destructive impact that joblessness has on its families and communities. We cannot permit the economic costs, the social upheaval, and the enormous human tragedy caused by unemployment. In the end, however, what we can least afford is the assault on human dignity that occurs every time another person is left without an adequate job.

We must resist the temptation to underestimate the dimensions of this problem. The official unemployment figures, as bad as they are, do not reveal the full magnitude of the human tragedy that is involved. As this Committee is well aware, there are millions of Americans, in addition to the roughly 8 million people who are officially unemployed, who are underemployed or have just given up looking for work.

I would like to make note of a recent study of the Congressional Joint Economic Committee. This study noted that since 1980 the number of jobs created each year has declined. This study attributed the much higher unemployment rate of the 1980s to that slowdown in the annual rate of new job growth. But even more discouraging is the quality of these new jobs. Again the Joint Economic Committee found 58% of the new jobs created between 1979 and 1984 paid wages less than $7,000 annually.

Careful analysis reveals that unemployment, since World War II, has been substantial, persistent and drifting upward. Many economists argue that we cannot realistically reduce the unemployment rate below 6 or 7 percent. Although we recognize the complexities and trade-offs involved in reducing unemployment, we believe that such rates are simply not morally acceptable. No economy can be considered healthy when so many people are denied jobs by forces outside of their control. The present rates of unemployment would have been unthinkable only twenty years ago; they should be regarded as intolerable today as well.

Although my purpose here is not to describe a detailed employment policy, I do want to suggest some broad elements that will be necessary if we are to effectively combat unemployment. Fundamentally, our nation must provide jobs for those who can and should work and a decent income for those who cannot. The most urgent priority for domestic economic policy should be the creation of new jobs with adequate pay and decent working conditions. At present, there seems to be little endorsement of a goal of full employment, and even less no substantive and sustained commitment to bring it about. Clearly this must change if we are to end the human and social devastation that joblessness brings to our nation. If we are to protect the basic human right to a decent job for all Americans, then we must have an effective national commitment to full employment.

Meeting such a goal will require a careful mix of coordinated macroeconomic policies and targeted employment and training programs. The fiscal and monetary policies of our nation should be conducted in such a way that the creation of more and better jobs is the first priority. While such policies aimed at economic growth are important and necessary, they are not sufficient in themselves. It is also necessary to develop specific policies and programs that target particular aspects of the unemployment problem.

First, both the private and public sectors should be encouraged to use its creativity to expand and improve job training and apprenticeship programs. In particular as we proposed in our pastoral letter, partnerships between business, labor and government should be pursued to accomplish this objective. The nation needs an employment strategy that systematically develops the technical and professional skills necessary for a productive, dynamic economy. The rapid pace of technological change means that continuing education and training are even more important than in the past.

Second, we must increase support for direct job-creation programs targeted on the long-term unemployed and those with special needs. The private sector must play a major role in this effort, for the large majority of new jobs in the United States are found there. However, it must be recognized that the government has a positive and indispensable role to play here, as well. Government funds, if used effectively, can stimulate private sector jobs for the long-term unemployed and for groups particularly hard to employ. In specific instances where such assistance has been provided in the past, as in early programs of the Comprehensive Employment and Training Act (CETA), or in some recent demonstration programs initiated by the states, the results have been quite positive.

I strongly urge you to do all within your power to provide adequate funding for the kinds of federal initiatives that are needed in job training and retraining and in job creation for the hard to employ.

Finally, on this topic I would call your attention to a point that was made in our pastoral letter -- namely, that in the long term there is a need to examine and experiment with alternative ways to improve the quantity and quality of jobs in our nation. Expanding job sharing and flex time, implementing a reduced work week, job-protected family and medical leave, abolishing mandatory overtime, and other strategies should continue to be on the agenda for public discussion.

Before leaving the issue of employment, I want to make special mention of health care needs. For most Americans, a good job is one that provides free or low-cost group health insurance for workers and their families. Because the U. S. is the only developed country except South Africa without a national system of ensuring access to health care for its citizens, there are now 37 million Americans who are ineligible for any public or private group health insurance. Of the 37 million, two-thirds to three-fourths are workers and their families.

Senator Kennedy, I know that your interest in national health insurance has a long history. The U. S. Catholic Conference in its 1981 Pastoral Letter on Health and Health Care called access to health care a basic human right and endorsed national health insurance as the best method of providing that access. While the 100th Congress may not be ready to consider a comprehensive plan, there should be, at a minimum, some improved federal support for expanding access to health insurance for workers and for others who are now effectively excluded from health insurance coverage. In the past several years we have opposed cuts in the Medicaid program and have supported successful Congressional initiatives to expand eligibility for Medicaid for pregnant women, children and the elderly. We have also supported federal mandates for employers to extend health insurance coverage to laid off workers and divorced and widowed spouses. While these are important advances, more should be done to guarantee access to health insurance and health care for all.

Poverty

About one in every seven Americans is poor by official standards. As we say in our pastoral letter, "The fact that so many are poor in a nation as wealthy as ours is a social and moral scandal." In our society, there should be no excuse for the extremes of deprivation and poverty that leave millions without even the basic necessities of life. The moral norms of human dignity, human rights, and the "option for the poor" should compel all of us to confront the issue of poverty with a real sense of urgency.

The faces of poverty in our midst are many and diverse. But far too many are the faces of children. As Senator Moynihan and others have emphasized, poverty affects children more severely than any age group in our nation. One set of statistics, in particular, bears repeating - - the fact that one in every four children under the age of six is poor and one in every two black children under six is poor. Surely, these stark facts must evoke a strong commitment to reduce the levels of poverty in our midst.

One of the most visible manifestations of poverty in America today is the increasing number of homeless. Federal cuts in low-income housing have greatly contributed to this national disgrace.

Our pastoral letter recognizes that poverty is a complex problem. No single or simplistic solution will work. However, we propose several elements which we believe are necessary for a national strategy to deal with the problem. For example, we believe that the first line of attack against poverty must be to build and sustain a healthy economy that provides employment opportunities at just wages for all adults who are able to work.

We urge Congress to raise the minimum wage and thereby reduce the number of people who work full-time and yet remain below the poverty line. We also call for vigorous action to remove barriers to full and equal employment for women and minorities. We say that self-help efforts among the poor should be fostered by programs and policies in both the private and public sectors. We call for a stronger commitment to education for the poor, and we urge that policies and programs at all levels support and strengthen family life.

Finally, we suggest that a thorough reform of the nation's welfare and income support programs should be undertaken. Although I recognize that many of the welfare issues are not within the jurisdiction of this Committee, I would like to highlight several of the reforms that we believe are necessary in the welfare system:

-- Welfare programs should provide more adequate levels of support. The median benefit for a family of three who receive both AFDC and food stamps and have no other income, is only about three-fourths of the government's official poverty line. At present only about four percent of poor families with children receive enough cash welfare benefits to lift them out of poverty.

-- Since AFDC benefits are not automatically indexed for inflation, their value has dropped by one-third since 1970. Most welfare benefits are woefully inadequate and do not provide sufficient income for the necessities of life. As we have stated on other occasions, we believe that the federal government should establish a national minimum standard benefit to cover those basic human needs.

-- Welfare programs should be made available to two-parent as well as single-parent families. Congress should require all states to provide this coverage and thereby eliminate a very destructive anti-family bias that is present in the AFDC program in about half the states.

I have been pleased to see that the issue of work and welfare has received a great deal of attention in recent months. Allow me to make a few additional comments about this particular topic. The efforts of this Committee to increase job opportunities should be coordinated with the Finance Committee's consideration of welfare reform, especially in the area of work requirements. Programs should be designed to assist recipients to become self-sufficient through gainful employment. This final point is especially important in view of our belief in the dignity of human work and the fact that employment, as I noted earlier, is one of the most important ways in which people participate in the economic life of the nation.

Our Conference strongly supports greater efforts by the federal government to assist the states in the development of greater opportunities for work, education, and training for welfare recipients. Unfortunately, much of the discussion of this subject in the past several years has been in the context of short term budget savings, rather than the longer range goals of increased self-sufficiency, reduced poverty and greater participation in social and economic life for the recipients.

A job is not only the key to participation in society. It ought to be a reciprocal expectation between society and its members. Individuals have a right to expect from society an opportunity to work, and society ought to expect able-bodied individuals to participate in the workforce.

Too often programs for welfare recipients have been designed with only one goal in mind: to make the receipt of welfare benefits so distasteful that fewer will apply and fewer will continue to participate. Many believe that welfare recipients are unwilling to accept jobs, and that work requirements will discourage the lazy. Programs initiated according to such assumptions have generally not helped recipients or saved money. As is widely known, a number of states have been experimenting with new approaches and programs in this area. We believe it is important for the federal government to support such initiatives with greater funding and flexibility and to provide leadership in developing creative programs that are empowering, not punitive, for the poor.

I would like to suggest several principles that should govern any federal and state initiatives in this area of employment and training for welfare recipients.

1. The primary focus should be on helping families escape poverty, not just on short term budget savings. Programs should equip participants for jobs that can support their families above the poverty line.

2. Incentives are an important way to enhance the freedom and voluntary participation of individuals in the workforce. Therefore, participants should be better off financially than if they did not work or study. The costs of child care, transportation, uniforms, etc., that are necessary for participation in work or training programs should be fully reimbursed, and participants should be permitted to keep most of their earnings while in the program, without reduction in welfare benefits.

3. Programs should be individualized. Each AFDC parent should be treated with dignity and respect for her individuality. Plans for each participant should be geared to her special talents and circumstances, with maximum opportunity for individual choices. In fact, the right to choose among alternative work, education and training plans appears to be a major factor in the success of some of the new state programs.

4. Ensure that young children are properly cared for. There is a distressing lack of safe, reliable, and affordable day care in our nation. Even middle income parents have great difficulty in locating and paying for child care. While there are many valid reasons for requiring mothers of young children to participate in work or job training programs, we caution the Congress against permitting states to remove from mothers the right of free choice to care for their own children.

In general, while we strongly support new federal initiatives to help make welfare recipients more employable, it is clear that such initiatives, treated in isolation, will not solve the employment and income needs of the poor. A much larger and more dominant problem lies in the fact that our economy is not producing enough decent jobs to employ all who want to work. Increasing numbers of people are working full-time at minimum wage jobs and yet their families are in poverty. Thus our efforts to improve the employability of the poor must be complemented by policies that help to ensure that decent jobs are actually available.

Conclusion

As I noted at the beginning of my remarks, it would be a serious mistake to underestimate the difficulty of addressing these issues of employment and poverty. A complex web of economic and social forces has produced these problems, and the solutions will not be simple ones. Moreover, we must address these issues in the context of many other pressing national problems and policies - - the massive federal deficit, the trade issues, the farm crisis, the major challenges in health care and education, etc. The interrelationships and the tough trade-offs among these issues must be faced squarely and competently.

In particular I would emphasize a point that was raised in both our pastoral letter on war and peace and the letter on the economy - - namely, the terrible and destructive impact that the arms race has on our ability to deal with pressing social and economic issues. The massive investment of human creativity and material resources in the production of weapons for war is an incredible drain on our society and it makes it even more difficult to solve problems such as poverty and unemployment.

In the end there are fundamental moral issues embedded in these policy choices. Despite the complexity and the difficulty, we can do a better job of reducing unemployment and poverty. We simply must summon the political will, the moral vision, and the creativity to implement an aggressive campaign to provide adequately paid job opportunities for all who can work and an adequate level of income support for those who cannot. For the current trends in unemployment and poverty are not only unacceptable; they are a serious threat to our society's future, a scar on the face of our nation, and a violation of the basic norms of human dignity.

The economic institutions of our nation and the entire world are undergoing significant changes, posing new realities and requiring new responses. As we struggle to meet this challenge, let us not ignore the needs of the poor and the vulnerable. As we adjust to the new social and economic realities, we must evaluate our success not merely in terms of growth rates and quarterly profit margins, but also in terms of the human impact on people, especially the poor. We must seek policies that empower the poor, respect their human dignity and enable them to be full participants in the economy. This is an important part of the unfinished work of our nation. This is the challenge of seeking economic justice for all.

The CHAIRMAN. Thank you very much, Bishop Sullivan, for an excellent presentation.

You mentioned the special dignity of human work. I am sure you are familiar with the recent pastoral letter of John Paul II on human work. I quote: "Participation in the life of the community calls for the protection of the right to employment as well as the right to healthful working conditions, to wages and other benefits sufficient to provide individuals and their families with a standard of living in keeping with human dignity and to the possibility of property ownership."

Now, without getting into the economics—or, you may want to—but talking about the dignity of the individual, the dignity of the family, the dignity of the children in that family, do you think that that can be achieved with the minimum wage as it is at the present time?

You were here when I gave the various figures, and I will not repeat them. You are familiar with the issue.

Bishop SULLIVAN. Yes. The minimum wage is not a just wage. The Bishop would say the minimum wage is not a just wage. It does not provide the opportunity for people to escape poverty, working full-time at the minimum wage. It has eroded over the last six years. And to think that a person either could not support himself or a family on the minimum wage today, to me is most discouraging.

Therefore, to me, the need to upgrade it—our indication is that, there will be short-term unemployment, but it primarily relates to teenagers.

So that, as you mentioned in previous testimony, we are not talking about people in minimum wage jobs who are competing in the international sector. We are not talking about manufacturing jobs that are going to be lost to another economy.

So I believe there is a very serious need to look at it. Not only that, Senator, but people talk about how do we give youngsters incentive by depressing the wage—there is nothing more depressing to a youngster than to get a depressed wage. I mean, why would anybody want to work for $2.50 an hour, and then believe that that is the way into the workforce?

I believe in the dignity of all work. I believe that we ought not to call jobs "dead-end jobs." But I also believe that to think that the way you interest a youngster, a teenager who has lived, many times, on a dependency kind of level, to interest him in a job is to give him $2.50 an hour, I think we are kidding ourselves.

In New York City, I chair the Voluntary Service Corps for the City. We give the kids a stipend. It turns out roughly, if they work through the program, to a minimum wage. Those kids get all the pressure from their families because they are not coming home with enough money to contribute. And while they have been generous kids, they have wanted to get into a Volunteer Service Corps program, wanted to give a year of their lives to this kind of program, the one hassle they get going back into their communities is that they are not making enough to contribute.

So I do not see how we can live with the present minimum wage as an acceptable level to provide dignity for the worker, or incentive to young people entering the workforce.

The CHAIRMAN. Let me just ask, as far as the responsibility you have had, what is the real impact in terms of the tensions in the family? We want to make sure, as I am sure you do, that we are not just talking about the statistics, dollars and cents, but the real impact on the family in terms of the significance of that as an institution and in terms of our society, most importantly in terms of individuals who are bound by very special circumstances together.

What do you see is happening to the families that are either dependent on the minimum wage or in the lower economic strata, living in poverty, that group of our society that is earning below the poverty level, literally living below the poverty level? We have about 65 percent of the families whose children go to the Boston public schools who are either at the poverty level or below the poverty level.

What is happening in those families? What do you hear from those families?

Bishop SULLIVAN. Well, there have been studies done, but I would rather relate it from personal experience.

The CHAIRMAN. Yes, that is what I am interested in.

Bishop SULLIVAN. We run a large agency. We are in practically every neighborhood in Brooklyn, Queens, in New York City. And I could tell you, the tension of not being able to be connected into the workplace with a decent income, what happens in the family relationships between parents, husbands and wives, in terms of their own relationships, what happens in terms of the tension with their children—it is not accidental that we have the serious problems of molestation and child abuse, the problems of alcoholism and excessive drinking, for people who have this tremendous tension and no sense of worth and of dignity.

I see it on the street corners of my area, where guys hang out on the streets—at least they have camaraderie. But the tension, the loss of self-esteem—I mean, the drug problem is not only for people in the middle-class, engaged in so-called recreational drug addiction. In terms of the drug problem, for the kid in the street, it is the only job he sees that pays anything. That is one thing. That is why he preys on other kids to pass it around. But what you see is that it is a way to escape, to deal with life's problems. It is a way out the back door.

So the drug problem, the child abuse problem, the alcoholism, the tension in family life, child and wifebeatings, all of this is part of that tension of people who really do not see that they are doing anything that has a spiritual kind of component to it, that they are making a contribution, that they are participating and have esteem among their colleagues, that they can go to their local clubs or their local corner bar and sit down and have a drink with some kind of dignity with a guy from the neighborhood—there is none of that. They look to hide away from it, they look to get away from it.

I am not in the steel area, but to see men—AT&T in the New York City area, and IBM, being laid off, and women being laid off—all of a sudden, these are people who are never without a job—good educations, good jobs, and now all of a sudden, in their middle-fifties, many of them being excessed and coming out of the workplace. They do not know what to do. They have not prepared for it. They have a sense that they have lost, and they even try to avoid socialization.

You talk about the stigma of welfare. There is the stigma of a person who has recently lost his job. It ends up being an eroding of their self-confidence, and all the kinds of things that it creates in the community, in terms of the tensions in neighborhoods. The racial tension in New York City is very much a reflection of the economy. It is not just pure racism, white against black. It is the economic reality. We have so many kids who have dropped out of schools and cannot get into the workforce and have no place to go, and they see no future in this society.

So the only housing that we are building, effectively, is prisons. The biggest housing program in New York State is for prisons. I just think that is a reflection of where we are going.

The CHAIRMAN. Senator Simon?

Senator SIMON. I simply want to commend you. I think you are absolutely right on racial tensions. I talked just a few days ago to a woman in the Chicago area who is unemployed, and she says, "The problem is the blacks are taking the jobs away from us." And if she were employed, she would not be talking that way. We clearly have to do that.

And you mentioned what children or young people bring home when they are working. One of the other things that is wrong with our system and why we need a jobs program is that every time anybody brings any money home, it is taken off of their welfare payment, so we discourage people from working. And low as the minimum wage is, I think of the small town in Illinois we heard about the other day, where Burger Chef advertised in the local newspaper for help at the minimum wage—one job, 37 people applied for that job. So it is not just lifting the people who are on minimum wage, but it is getting a lot of people who are not even there up to that. We have a problem.

Let me just add, I thought the Bishop's statement was as superb statement, and when we have our bill drafted on the Guaranteed Job Opportunity Program, I want to submit it to you, and I hope we can have your support in moving in what I sense we both feel is the direction we have to be moving.

I thank you very much, Bishop.

Bishop SULLIVAN. Thank you, Senator.

The CHAIRMAN. Thank you very much.

We will be calling upon you and the Conference to help and guide us. I would like to hear that sermon you gave to us a little bit around some of those Sunday sermons. [Laughter.]

Bishop SULLIVAN. Well, one interesting thing, Senator, that you might be interested in. I have a meeting with Tom Keane from New Jersey to talk to him about the pastoral. He has agreed. The pastoral is not a matter of Democrats or Republicans. The pastoral is in terms of the economy, and the economy is about the American people. We ought to have a bipartisan position on the economy.

The CHAIRMAN. That is absolutely fine with me. That is the way it should be, and we will certainly make every attempt to have it that way.

Thank you very much, Bishop.

Bishop SULLIVAN. Thank you very much, Senator.

The CHAIRMAN. Our final panel of witnesses includes Barry Bluestone, University of Massachusetts-Boston; Professor Michael Harrington, of Queens College, New York; and Karen Nussbaum, Executive Director of 9 to 5, National Association of Working Women, and President of District 925, Service Employees International Union, AFL-CIO.

We are glad to have all of you with us here today.

Mr. Bluestone, we will start off with you, if you would be kind enough, please. We are glad to have you here.

STATEMENT OF BARRY BLUESTONE, FRANK L. BOYDEN PROFESSOR OF POLITICAL ECONOMY, UNIVERSITY OF MASSACHUSETTS-BOSTON; MICHAEL HARRINGTON, PROFESSOR OF POLITICAL SCIENCE, QUEENS COLLEGE, NEW YORK; AND KAREN NUSSBAUM, EXECUTIVE DIRECTOR, 9 TO 5, NATIONAL ASSOCIATION OF WORKING WOMEN, AND PRESIDENT, DISTRICT 925, SERVICE EMPLOYEES INTERNATIONAL UNION, AFL-CIO

Professor BLUESTONE. Thank you very much, Mr. Senator.

The CHAIRMAN. We were using one of your charts here. I did not get a chance to respond to my Ranking Minority Member here, when he had all of those beautifully-colored charts earlier in the day, but hopefully, the weight of the evidence will be brought out in your comments.

Professor BLUESTONE. Eventually, we will be able to put ours in color, as well.

Mr. Senator, for more than 50 years, the Congress has focussed on the question of jobs in the United States and, in particular how to generate them. That focus in the past has always been correct, because in the past, when we have generated new jobs, we have generated a higher standard of living.

Today, however, and particularly over the last decade, the creation of jobs per se no longer necessarily leads to higher standards of living. Indeed, because of the de-industrialization of America, the loss of jobs in the manufacturing sector combined with the proliferation of low-wage jobs in the services and trade economy, the simple number of jobs created is no longer the key issue.

The question with which this Committee must concern itself is the value of those jobs—do the jobs that we are creating in the private sector provide individuals and families with a decent standard of living and provide enough consumer power to keep the American standard of living increasing.

As Secretary Brock pointed out earlier today, and Senator Hatch, the American economy has indeed created a large number of jobs, 25 million new jobs since 1973, and more than 10 million new jobs since 1980.

However, the "Great American Jobs Machine" has failed on two important counts: it has not been productive enough, as you have suggested, to reduce unemployment to anywhere near the full employment level, and perhaps even more importantly, a large proportion of the jobs created during the past seven years have been extremely low-wage, while the proportion of new high-wage jobs being generated each year is lower than any time during the 1960s and 1970s.

Recently, I had the opportunity along with my colleague, Professor Bennett Harrison of MIT, to prepare a report for the Joint Economic Committee on this question of what is the nature of the new jobs in America. The chart that you have displayed here comes from that report. There are other numbers, however, beside more in that chart that are of interest.

Senator SIMON. Mr. Chairman, may I ask on the chart, what I do not understand is how you divide the low, middle and high stratum. Could you just take 30 seconds?

Professor BLUESTONE. Yes, I will. I am about ready to explain that.

Senator SIMON. Okay.

Professor BLUESTONE. This research used official Bureau of Labor Statistics data from the Current Population Survey and began with the year 1973, because it was in 1973, now 14 years ago, that the American average weekly wage peaked.

We took the median wage in 1973, the wage that the middle person in the labor force got paid, and divided that in half to create what might be considered a very low wage standard. Today that standard would be about $7,400 in 1986 dollars.

We also took that median and doubled it, stipulating that a high wage job was one that paid double that median. In 1986 dollars, that is roughly $29,000—by no means a very, very high—wage job.

What we found was that if you look at the period 1963 through 1979, including periods that included the 1971-72 recession and the 1975 recession, only *one out of five* of the 31 million jobs created were low—wage by this standard, that is, paid under $7,400 in real dollar terms—one in five.

If you look at the period 1979 to 1984, however, the number, as Senator Kennedy indicated, is closer to six out of ten, 58 percent.

Indeed, I can add a new number that came out of the computer last night, in response to some questions from the Bureau of Labor Statistics. If you add in the year 1985, which was another growth year, you find that indeed we did create more higher—wage jobs in 1985, but still, the number turns out to be 44 percent of all the new jobs in 1979 through 1985 were low-wage—more than double the proportion for the period 1963 through 1979.

Moreover, when we talk about all of the high-wage job creation, which Secretary Brock noted, these numbers suggest that even if you include the very good year 1985, only one in ten, 10.3 percent of all the new jobs created since 1979, are so-called high-wage jobs.

What we have found, therefore, is a proliferation of low-wage jobs and not anywhere near as much high-wage job creation as might have been suggested by earlier statistics.

There are also several interesting trends that I think the Senate must be concerned. One is that in the past, we have normally considered this to be a problem specific to the minority community and specific to women. Indeed, low wages continue to be a very serious problem for those groups.

But the proliferation now extends to all groups in the economy, including white men. The most startling statistic of all is that in terms of net job creation between 1979 and 1984, virtually all of the net new jobs going to white men, traditionally the most privileged group in our economy—97 percent—were low-wage, paying $7,400 or less.

A second point that needs to be made is that in the earlier period, particularly 1973 to 1979, the nation indeed made some significant progress in providing better jobs for the minority community. In particular, black men had significant gains. But since 1979, many of those gains have been reversed. The proportion of high-wage jobs going to minority men has declined.

Another point is that we have normally thought of the deindustrialization problem as something special to the Midwest, where you come from, Senator Simon, but that it is not a problem in other parts of the nation. What we found in our study is that the proliferation of low-wage employment is found nearly everywhere in the country; it indeed is much more severe in the Midwest but it is also found in parts of the South and in the West.

Still another finding is that the proliferation of low wages is not restricted to people who are taking part-time jobs. Indeed, in part-times the problem is severe especially since 75 percent of all the net new part-time jobs are going to people who want full-time jobs, 75 percent. But it also affects full-time workers.

The CHAIRMAN. You will have to document, because Secretary Brock gave just the reverse. I am persuaded by your study, which I am familiar with, but make sure that we have the documentation on that.

Professor BLUESTONE. Indeed we will do. We have found that even among year-around full-time workers there has been a proliferation of low-wage jobs—and by the way, when we extend this to 1985, that shows up even more strikingly.

Now, one last point, and I think this is important. People have attributed the dramatic shift toward low-wage work to demographic factors, particularly the entrance of enormous numbers of young, inexperienced workers into the labor force and the large increase of women into the labor force.

And indeed, some people take comfort in this belief, for it suggests that as these groups gain experience and skills, their wages will improve, and they will move out of low-wage jobs into better ones.

Unfortunately, again, statistical analysis of these trends does not hold out the promise of such a sanguine prospect. Changes in the age, race and gender characteristics of the labor force do not seem to explain much of the growth in wage inequality since the 1970s, nor do these factors explain much of the growth in low-wage employment.

What does seem to explain growing inequality in wages and the proliferation of low-wage jobs are factors such as the expansion of involuntary part-time employment and the shift of the labor force out of higher-wage manufacturing into the lower-wage service economy.

Today about 20 percent of all the jobs in the United States in manufacturing pay below that $7,400 standard, but 40 percent of service jobs pay that low.

Finally, I think what we have to take into consideration is that many of the points made by Tom Donahue, need to be reiterated. In order to reverse this trend towards low-wage jobs, we must increase productivity. We must develop fair trade policies. We need to organize the unorganized, and we also need to rebuild the minimum wage back to the standard that it once represented.

We have to rebuild an opportunity society, an opportunity society in jobs, in education, in housing. The great bills of this country were the GI Bill, the FHA, the original Wagner Act. We need a new generation of such an opportunity society.

Thank you very much.

The CHAIRMAN. Thank you very much.

[The prepared statement of Professor Bluestone follows:]

THE GREAT AMERICAN JOB MACHINE:

THE PROLIFERATION OF LOW WAGE EMPLOYMENT IN THE U.S. ECONOMY

A STUDY PREPARED FOR
THE JOINT ECONOMIC COMMITTEE

BY
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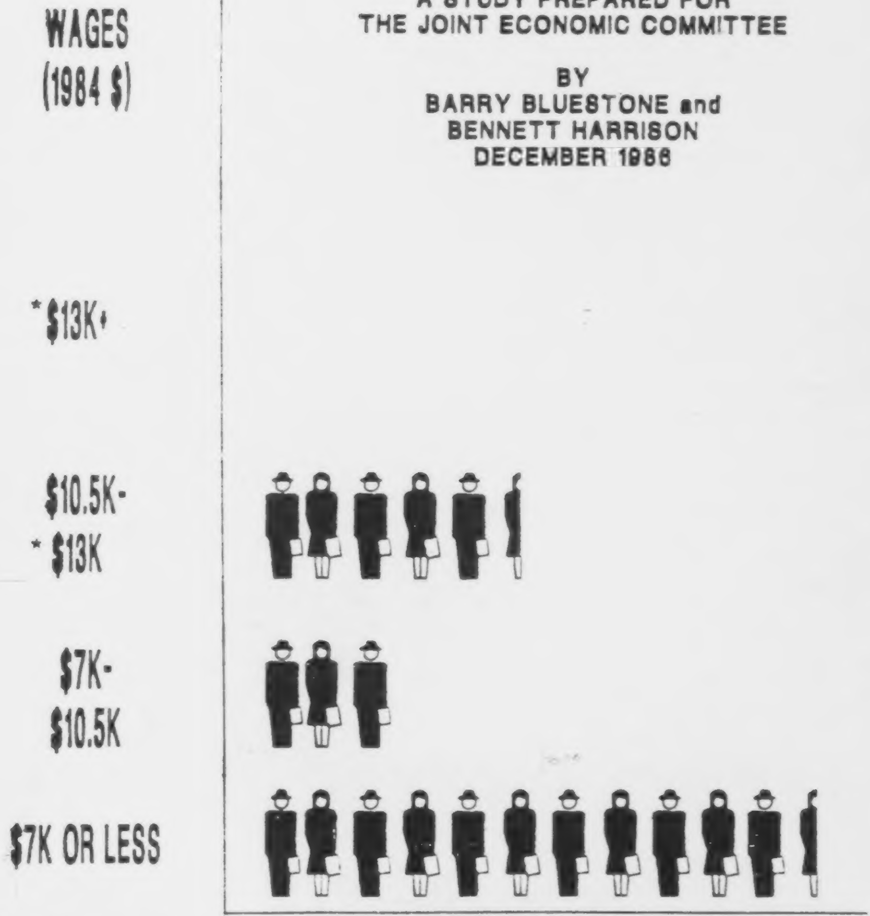

* ESTIMATED WAGE LEVEL BELOW WHICH 100% OF NET NEW JOBS WERE CREATED

NET INCREASE IN NEW JOBS (1979-1984)
BY ANNUAL WAGE GROUPING
EACH FIGURE REPRESENTS 400,000 NEW JOBS

THE GREAT AMERICAN JOBS MACHINE:
The Proliferation of Low-wage Employment in the U.S. Economy

Barry Bluestone
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For more than a decade the United States has been in the enviable position of producing more new jobs than most of the rest of the industrialized nations combined. Indeed, Europe had virtually zero employment growth between 1973 and 1984, while the U.S. added nearly twenty million new jobs during the same period.[1]

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As a result, America has been justifiably termed "The Great Jobs Machine." While unemployment rates are clearly much higher than in previous decades, the economy has generated employment opportunity for millions in the "baby boom" generation and for an unprecedented number of women who have entered and remained in the labor force. Leaders of the Common Market and the Organization for Economic Cooperation and Development (OECD) have been so impressed by U.S. employment gains that they have sent delegations across the Atlantic to learn what they can from this apparent success.

Those charged with responsibility for current economic policy have been particularly pleased with recent employment gains. Since 1981, the total number of jobs in the U.S. has expanded by nearly 10 million, despite the severe 1981-82 recession, and the grand total has grown nearly every month since the end of 1982.[2] The tax cuts initiated under the Reagan Administration and the expansion in the nation's money supply beginning in 1983 have indeed brought about a substantial economic recovery.

Yet for all of the jubilation surrounding this accomplishment, the recent employment record is not quite as good as the raw numbers seem to suggest. For one thing, the civilian labor force -- the number of Americans who are working or who want to work -- grew at an even faster pace than the rate of job growth. This has left the overall unemployment rate essentially unchanged while the absolute number of unemployed workers has increased by nearly one-half million. Moreover, the recent record of accomplishment is actually weaker than that of the period that immediately preceded it. In the four years 1976 to 1980, total employment rose by nearly 7.3 million, or 1.8 million net new jobs per year. Job creation since 1981 has been proceeding at a rate that provides 200,000 fewer new jobs a year. The slowdown in the annual rate of new job development has contributed to the much higher average unemployment of the 1980s. Indeed, if the earlier annual rate had been maintained into the mid-1980s, more than one million additional persons would be at work today and the civilian unemployment rate would be 6.3 percent, if not lower.[3]

What is most important, however, is that none of the aggregate numbers reveal anything about the types of jobs created during this period, or how much they pay. As for the first question, the record reveals a continuation into the 1980s of a strong trend toward employment growth in the service sector, with literally no expansion whatsoever in employment in goods production. In fact, since 1981, the number of people employed in construction and manufacturing has declined by more than 500,000, while private sector service employment (including transportation and public utilities; wholesale and retail trade; finance, insurance, and real estate; and business and personal services) has been responsible for all of the total net growth in the number of civilian jobs. Clearly, the radical sectoral restructuring of the American economy continues apace.[4]

How this shift in the sectoral composition of employment affects the distribution of real wages and salaries--our second question--is obviously important if one is concerned with the quality as well as the quantity of job creation in the U.S. Both the level and distribution of wages are likely to be affected by these sectoral shifts, and (perhaps even more strongly) by changes in the distribution of jobs within each sector. The redesign of full-time into part-time jobs, the disproportionate growth of part-time or part-year work, and the spread of wage freezes and concessions from one industry to another all suggest a real decline in annual earnings. In addition, demographic factors -- including the continued rise in female labor force participation and the entry of the baby boom generation into the workforce -- could also be affecting the wage distribution.

Our objective in this paper is not so grand as to statistically parcel out the impact of each of these diverse factors, but rather more modestly to provide some summary measures of the trends in the distribution of real labor income to which the various factors are contributing.[5] Within that general framework, the particular issue we wish to address in the present paper is straightforward: underneath the appearance of substantial overall job creation since 1973, is America proliferating low-wage jobs and perhaps even shifting toward an increasingly polarized labor market structure?[6,7]

To answer these more specific questions, we investigate changes in the level and distribution of real annual wages and salaries earned by workers during the period over which the Great American Jobs Machine was apparently so productive -- 1973 through 1984. Using Current Population Survey (CPS) data from the U.S. Census, we tabulate the net new employment generated over this period according to whether the additional workers earned "high", "middle", or "low" real annual wages. These wage distributions are then recalculated by industrial sector, region, age, race, gender, education, and on the basis of whether the workers in question were employed full-time and year-round. Finally, we compare changes in the proportions of workers falling into these three earnings categories between two subperiods: 1973-1979 and 1979-1984. The comparison allows us to ascertain just how "good" the most recent job gains have been, at least in terms of income generation.

What do these statistics reveal?

> - Compared to the first subperiod (1973-1979), the net new employment created between 1979 and 1984 has occurred disproportionately at the low extreme of the wage and salary distribution (i.e. below $7,000 in 1984 dollars). Specifically, during the 1970s about one out of every five net additional wage-earners found a job (or jobs) paying as little as $7,000. Since 1979, that fraction has risen to nearly six in ten.
>
> - During the second subperiod (1979-1984), the number or workers with earnings as high or higher than the 1973 median ($14,024 in 1984 dollars) actually declined by 1.8 million, while workers with earnings less than the 1973 real median increased by some 9.9 million. (See Appendix B). While there have been some high-wage jobs created during this period, on a net basis, all of the employment increase experienced since 1979 has been generated by the creation of jobs which paid less than the median wage in 1973. Thus while the "middle wage" earnings category shows some growth during this subperiod, this growth was concentrated at the bottom end of the category (between 50% and 100% of the 1973 median).

- Of the major demographic groups in the U.S., white men have been the biggest losers, suggesting the increasingly universal impact of these changes in the wage structure. No longer are the "working poor" restricted to women and those who are members of minority groups. Between 1973 and 1979, fewer than one out of every four new jobs taken by white men fell into the low wage category. Since 1979, however, nearly 97 percent of net employment gains among white men have been in the low wage stratum. During the same period, white men have experienced a net loss of one million jobs paying $28,000 or more in 1984 dollars.

- Between the 1970s and the 1980s, white women continued to show small gains in their access to higher wage jobs, but unlike the case in the earlier period, the proportion of such workers in low wage employment also increased. Thus employment for white women has shown a slight tendency toward polarization -- a growth in the low and high wage extremes of the distribution at the expense of the middle.

- Employment for both minority men and minority women shows a renewed trend toward low wages. Notable in this regard is the apparent reversal of the trend toward higher wage job opportunities for black men which was observed during much of the 1970s.

- The disproportionate expansion of the low-wage sector is found to be especially prevalent among younger workers (age 16-34). However, it is not restricted to them; it is also evident among older workers, those 35 years of age and older. Hence, the shift toward low-wage employment cannot be dismissed simply as a consequence of baby-boomers entering the workforce in the 1970s.

- The trend toward low-wage employment is found in all regions of the country, but it is substantially more pronounced in the Midwest. In the hard-hit industrial and agricultural Midwestern states, middle- and high-wage employment declined between 1979 and 1984 by more than a million jobs, while the number of low-wage jobs increased by more than 900,000. In no other part of the country have the income effects of deindustrialization -- enormous downward wage mobility -- been so pronounced.

- The tendency toward low wages holds for year-round, full-time workers as well as for those who do not work as often during the year. This implies that it is not merely the increase in part-time work that is responsible for low annual wages. The underlying distribution of hourly or weekly wage rates appears to be shifting toward the low-wage extreme as well, although we do not measure weeks or hours directly in this paper.[8]

- In sum, the economic restructuring of the 1980s -- including the loss of jobs in the manufacturing sector, the continued growth of the service economy, and the reorganization of work toward more part-time schedules -- has left in its wake a proliferation of low-wage jobs. If this pattern of development continues, the standard of living of a growing proportion of the American workforce will be significantly jeopardized.

Measuring the Distribution of Real Wages

In studying developments in labor market compensation, researchers generally focus either on changes in the average level of real wages from one period to the next or on the changing distribution of nominal wages around some standard such as the median in each period. The first of these measures is useful as a rough indicator of the buying power associated with the average weekly or hourly wage paid in the economy. The second provides a measure of how equally or unequally wages are distributed in each period, independent of real buying power. As such, the two measures serve very different functions.

To meet our purpose of investigating the distribution of real wages over time, we find it desirable to combine the attributes of these two measures into a single indicator. The new measure can then be used to directly ascertain how many workers in each period can afford a given living standard based on the wages they receive. With respect to such a standard, it becomes possible to measure not only the average wage over time after adjusting for inflation, but also to keep track of how many workers fall into into any particular segment of the earnings distribution, e.g. the "low", "middle" or "high" end of the wage spectrum.

The wage standard that we have developed for use in this research is straightforward in its construction. We chose as the basic standard the 1973 nominal median annual wage and salary income for all workers aged 16 and over.[9] This was the year in which the median annual real wage reached its post-World War II peak of $6,000 (calculated in 1973 terms).[10] The low-wage cutoff for 1973 was then set, somewhat arbitrarily, at half (50%) of this median. Similarly, a high wage cutoff was set at double (200%) the median. This provided the "low", "middle", and "high" wage strata for 1973.

Median standards for later years were then developed by adjusting the nominal 1973 median wage of $6,000 for subsequent price inflation, using the all commodities consumer price index (CPI). Each of these inflation adjusted medians was then multiplied by 50% and 200% to obtain low and high wage standards for the later years. For this paper, we have prepared statistics for 1979 and 1984 for comparison with 1973. These years constitute the peaks of their respective business cycles, in terms of GNP growth. This procedure yields the standards listed in Table 1.

Table 1

Wage Stratification Standards
1973, 1979, and 1984
(Current Dollars)

	LOW CUTOFF	HIGH CUTOFF
1973	$3,000	$12,000
1979	4,900	19,600
1984	7,012	28,048

Source: Calculations from Uniform CPS (Mare-Winship) data files.

Thus, for example, in 1984 a nominal annual wage of approximately $7,000 or less placed a worker in the low wage stratum. Such a worker would have a real wage no greater than a person earning $3,000 or less in 1973, or $4,900 in 1979. Conversely, to fall into the high wage stratum, workers needed to earn $28,000 or more in 1984 -- which would place them at a wage equivalent in real terms to $12,000 in 1973 or $19,600 in 1979.

Calculating Net New Job Growth by Wage Stratum

In deriving estimates of low-, middle-, and high-wage employment, we are not only interested in the total number of such jobs existing in a given year, but wish to estimate what proportions of net new employment generated over any given period of time fall into these wage strata. To calculate such numbers, we have relied on the following method:

- First, the number of workers falling into each wage stratum was calculated for 1973, 1979, and 1984, as well as the employment totals for each year.

- Second, for each pair of years, we computed the net change in the number of workers in each stratum. This is the closest it is possible to come with CPS data to estimating net job "creation" by wage level.

- Third, the change in employment in each stratum was divided by the total change in net employment between pairs of years.

Suppose, for example, that the numbers of low, middle, and high wage employees in each of three years were as follows:

				Change		Percentage Shares	
	t_1	t_2	t_3	t_{2-1}	t_{3-2}	t_{2-1}	t_{3-2}
low-wage	5	8	12	3	4	42.9%	80.0%
middle-wage	10	12	13	2	1	28.6	20.0
high-wage	5	7	7	2	0	28.6	0.0
total	20	27	32	7	5	100%	100%

In this example, the low-wage segment grew between t_1 and t_2 by (8-5=) 3 out of a total employment increment of (27-20=) 7. Thus 3/7 (42.9 percent) of the net new employment was low-wage. During the subsequent period t_2 to t_3, employment at low wages grew by (12-8=) 4, out of a total net employment increment of

(32-27=) 5, so that 80 percent of the new employment opportunities were low-wage. Comparing the changes from the first period to the second, we see that the incidence of new low-wage employment clearly increased--indeed, it almost doubled in this example. Moreover, the shift in the structure of employment opportunities by wage level occurred at the expense of the "middle"--whose incremental share fell from (12-10)/(27-20) or 28.6 percent to (13-12)/(32-27) or 20 percent--and (in this example) at the expense of the top, as well.

Some Methodological Considerations

The Data Set - The ideal data set for this study would include information on the jobs and wages actually offered by employers. Unfortunately, the only source of such data is the unemployment insurance records collected by the state employment service agencies for the U.S. Department of Labor (the DOL's ES-202 reports). These are highly confidential and generally unavailable to outside researchers for all but the most limited sorts of officially authorized inquiries. And in any case, the ES-202 data tell us nothing about the demographic characteristics of workers, i.e. what types of people are receiving which levels of wages. For both reasons, it was necessary for us to turn elsewhere to find an appropriate data base.

Like so many other researchers, we finally chose to use the most standard source of employment and wage data, the U.S. Census Bureau's March Current Population Survey. Fortunately, we had access to a special CPS data set known as the March CPS Uniform File, which provides generally consistent variable codes for each of the annual March cross-sections going back to March 1964. This data set makes it possible to use the same computer programs to access comparable data from any of the 1964-85 CPS data sets. Created under the direction of Professors Robert D. Mare of the University of Wisconsin and Christopher Winship of Northwestern University, the uniform file is also easier to access than the standard CPS because it eliminates the hierarchical (household-family-individual) data structure used on the government-supplied tapes. This is particularly helpful for studies involving individuals rather than households or families. Since the early 1970s, each year of the data series includes information on anywhere from 130,000 to 161,000 randomly selected individuals.

For each of these individuals, we have selected basic demographic information (age, race, sex, and education), information about industry attachment and region of residence, and finally data on annual wages and salaries earned during the year previous to the March survey. We have also kept track of each employee's work experience, i.e. whether or not they worked year-round full-time. Any individual aged 16 and over with non-zero wage and salary income in a given year is included in our sample.[11]

Time Period of Analysis - Popular interest in the seemingly remarkable job-generating capacity of the U.S. economy dates from roughly 1973, so that is where we have chosen to begin this study. In order to see whether the incidence of very low and very high wage net employment growth has changed since 1973, we divided the period into two sub-periods. We chose 1973-79 and 1979-84 (the most recent year of data available to us at the time of writing).

Why did we choose these particular dates? Both 1973 and 1979 represent cyclical lows in annual unemployment rates, while 1984 represents the lowest unemployment rate year available in the CPS files since 1979. We performed sensitivity analyses to test for stability in our wage distribution results. For example, we found that, in general, substituting 1973-1978 for 1973-1979 and 1978-1984 for 1979-1984 made little difference in the empirical estimates of the densities of the low and high wage strata of the wage distribution. However, as expected, using data for years at very different points in the business cycle provided results that were seriously distorted, presumably by large cyclical changes in hours worked per year.[12] In contrast, what we are after in this exercise are secular trends.

Alternative Wage Standards - The wage standard used in this research is subject to at least two possible criticisms.

One is that the all commodities CPI may not be the correct measure to use as the inflation factor. While virtually all labor economists have historically used the CPI to adjust wages for inflation, the U.S. Bureau of Economic Analysis (BEA), which is responsible for the official National Income and Product Accounts, adjusts its individual income series by the implicit price deflator for personal consumption expenditures (PCE). The PCE deflator rose by 6.6% per year from 1970-1984, slightly slower than the 7.0% annual growth of the CPI.[13] Consequently, using the PCE as the deflator yields a somewhat lower wage cutoff for both the low and high wage strata in later years and could therefore affect the findings.

The second possible criticism concerns the 50% and 200% cutoffs used to denote the low and high wage boundaries. These are, of course, arbitrary and the precise cutoff levels might affect the qualitative results.

To test for the sensitivity of our results to these two factors, we recomputed all of our estimates using the PCE as a substitute for the CPI deflator in deriving the low and high-wage standards. We also tried various wage cutoffs including 75% of the median to denote the low wage stratum and 300% of the median for the high wage boundary. None of these variations materially affected the overall results.

The Findings

The empirical results are presented in a series of tables and figures.[14] The first set covers the entire civilian labor force. In subsequent tables, we look at the distribution of wages and salaries within gender and race groups, by education level, by age, by industrial sector and by region. Results are also presented for the especially important group of full-time, year-round workers. In each case, we focus on the distribution of annual wage and salary income at the margin: that is, the distribution of labor income associated with the increment of "jobs created" between pairs of years.

All Workers. In 1973, as Table 2 indicates, there were 93.2 million persons who were employed sometime during the year. Nearly 30 million of them (29.6 million) earned $7,000 or less for their effort, while 15.4 million earned $28,000 or more (in 1984 dollar terms). By our definition, then, 31.8 percent of the workforce was low-wage while 16.6 percent were located at the high end of the distribution. By 1979, the total workforce had increased by 12.1 million to 105.3 million. Of this increase, only 2.4 million or 19.9 percent of the net new persons employed received annual wages and salaries that placed them within the lowest stratum. This was sufficient to reduce the overall proportion of low-wage workers to 30.4 percent. Almost two-thirds (64.2%) of the net new employment was found in jobs that paid between $7,000 and $28,000.

Table 2

EMPLOYMENT LEVELS AND EMPLOYMENT SHARES
ALL U.S. WORKERS (000's)

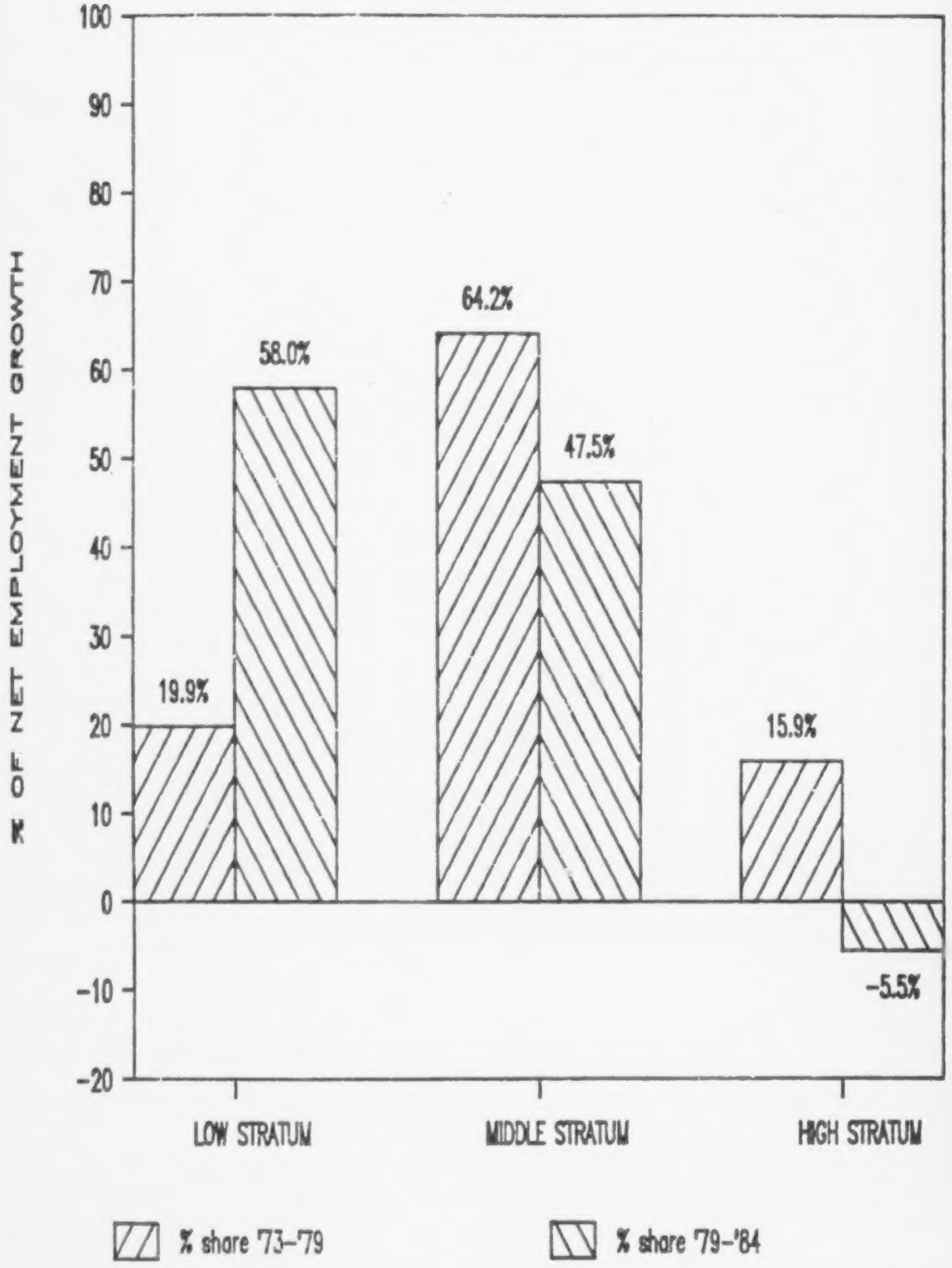
	NUMBER OF EMPLOYEES			EARNINGS SHARES			SHARES OF NET NEW EMPLOYMENT	
	1973	1979	1984	1973	1979	1984	'73-79	'79-84
LOW STRATUM	29648	32063	36750	31.8%	30.4%	32.4%	19.9%	58.0%
MIDDLE STRATUM	48107	55908	59745	51.6	53.1	52.7	64.2	47.5
HIGH STRATUM	15441	17374	16932	16.6	16.5	14.9	15.9	-5.5
TOTAL	93196	105345	113427	100%	100%	100%	100%	100%

Source: Calculations from Uniform CPS (Mare-Winship) Data Files.

By 1984 total employment had increased to more than 113 million or 8 million more than in 1979. But of these 8 million net new employees, 58 percent earned no more than $7,012 -- the nominal dollar value that kept them in the low-wage stratum. Hence, nearly three fifths of the net new employment generated between 1979 and 1984 was low wage, compared with less than one fifth during the preceding period.

During the same period, the number of high stratum positions actually declined by 5.5 percent -- a loss of more than 440,000 high wage employees. Comparing the wage stratum shares in 1984 and 1979 suggests that the entire real earnings structure slid downward during this five year period. The middle and high stratum shares declined, while the low-wage share grew significantly. Figure 1 graphically depicts this trend.

FIGURE 1



PERCENT SHARES OF NEW JOB GROWTH

ALL WORKERS

Using different wage standards produces qualitatively similar results. Substituting the PCE for the CPI deflator reduces the size of the increase in the low wage share, but the share of net new low-wage employment still rises between the early and later period from 15 to 37 percent; the proportion of net new employment that pays high stratum wages declines from 29 percent to 11.

Similarly, relying on the 75% and 300% wage boundaries produces essentially the same conclusion. Between 1973 and 1979, approximately half (48.7%) of all net new employment paid annual wages no greater than 75 percent of the inflation adjusted median that prevailed in 1973. In the subsequent period, nearly three-fourths (73%) of all net new employment paid wages this low.

One should not conclude from these results that there was no high wage employment generated whatsoever after 1979. New high wage jobs were created, but some existing ones disappeared altogether. Other previously high wage jobs failed to keep up with inflation and therefore fell from one stratum to another. Consequently, there was a net loss in employment that could maintain buying power consistent with the high wage standard. As for the low end of the economy, a substantial proliferation of new low-wage jobs plus a slippage in the real value of wages in the middle stratum contributed to an absolute as well as a relative swelling of the low-wage sector.[15]

Readily available BLS data have consistently shown a sharp reduction in both average real weekly earnings and average hourly wages in the economy. Mean earnings peaked at $340 a week in 1973 (in 1984 dollars). By 1985, they had fallen to $291. Real hourly wages have declined by only a slightly smaller percentage, from $9.21 to $8.28.[16]

The results presented here are not only consistent with this trend in the average, but indicate where in the distribution the erosion is occurring. In this case, the drop in average earnings is found to be due to both a proliferation of low-wage jobs and a slippage in the high wage sector. This is not to deny an expansion in the ranks of highly paid white collar professional and technical workers, but it suggests that losses in other highly paid segments of the economy more than offset this growth at the top of the distribution, while low-wage jobs proliferated everywhere else.

By Race and Gender. Has the tendency toward low wages been manifest for all demographic groups? The answer is essentially "yes", but there are some significant variations on this theme, as demonstrated in Table 3. Note particularly the striking results for white men. In the 1973-1979 period, nearly 77 percent of their net new employment fell in the middle and upper strata. But in the subsequent period, there was an astonishing collapse of high wage employment and virtually all of the net job growth occurred in the low-wage sector. Only 3 percent of the two million net additional white male earners were found in employment outside the low stratum -- in employment that paid more than $7,000 in 1984! It would be difficult to imagine a clearer indication of the tendency toward the proliferation of low wage work.

Table 3

EMPLOYMENT LEVELS AND EMPLOYMENT SHARES BY GENDER AND RACE (000's)

	NUMBER OF EMPLOYEES			EARNINGS SHARES			SHARES OF NET NEW EMPLOYMENT	
WHITE MEN	1973	1979	1984	1973	1979	1984	'73-79	'79-84
LOW STRATUM	9466	10244	12195	19.6%	19.8%	22.7%	23.4%	96.7%
MIDDLE STRATUM	25034	26372	27503	51.8	51.1	51.3	40.3	56.
HIGH STRATUM	13805	15008	13944	28.6	29.1	26.0	36.2	-52.7
TOTAL	48305	51624	53642	100%	100%	100%	100%	100%
WHITE WOMEN	1973	1979	1984	1973	1979	1984	'73-79	'79-84
LOW STRATUM	16073	17478	19125	47.3%	42.5%	42.7%	19.8%	44.4%
MIDDLE STRATUM	16997	22332	23887	50.0	54.4	53.3	75.1	41.9
HIGH STRATUM	911	1273	1783	2.7	3.1	4.0	5.1	13.7
TOTAL	33981	41083	44795	100%	100%	100%	100%	100%
NON-WHITE MEN	1973	1979	1984	1973	1979	1984	'73-79	'79-84
LOW STRATUM	1574	1756	2367	26.7%	27.0%	31.7%	29.1%	64.5%
MIDDLE STRATUM	3691	3874	4150	62.7	59.5	55.6	29.2	29.1
HIGH STRATUM	622	883	944	10.6	13.6	12.7	41.7	6.4
TOTAL	5887	6513	7461	100%	100%	100%	100%	100%
NON-WHITE WOMEN	1973	1979	1984	1973	1979	1984	'73-79	'79-84
LOW STRATUM	2535	2586	3064	50.5%	42.2%	40.7%	4.6%	34.1%
MIDDLE STRATUM	2383	3330	4204	47.5	54.4	55.8	85.8	62.3
HIGH STRATUM	104	210	261	2.1	3.4	3.5	9.6	3.6
TOTAL	5022	6126	7529	100%	100%	100%	100%	100%

Source: Calculations from Uniform CPS (Mare-Winship) Data Files.

The same story is true for non-white men. The proportion of net new employment in the low wage stratum more than doubled (from 29 to 65%) between the earlier and later periods. As a result, the share of low-wage employment among all non-white men increased from 27 percent in 1979 to nearly 32 percent four years later. It is worth noting that the data in Table 3 also indicate that one trend in non-white male employment seems to have nearly ceased in the 1980s: the growth in well-paid black employment. Between 1973 and 1979, nearly 42 percent of net new employment among non-white men was in the high wage stratum; since 1979 the proportion has slipped to only 6.4 percent.

One of the interesting variations on the low-wage theme is found in the case of white women. As is true of their male counterparts, the proportion of net new employment that falls into the bottom stratum has increased since 1979. However, there has also been a noticeable increase in the high wage stratum, thus producing a degree of polarization in the distribution. Note that 75 percent of net new employment generated between 1973 and 1979 paid middle-level wages. However, in the subsequent period, less than 42 percent of the net job growth has fallen into this range. Both the bottom and top shares of new employment have more than doubled. The trend toward better job opportunity for women appears to be confirmed by these results, but it is a trend restricted to a relatively small number of women. Even by 1984, only 4 percent of all working women were earning $28,000 or more on an annual basis. This compares with 26 percent among white men.

Since 1973, non-white women have seen significant improvements in their job opportunities as well, but the pace of improvement has slowed down markedly since 1979. This is true at both ends of the distribution. In 1973 more than half of all non-white women earned wages at or below the low-wage standard. The proportion has dropped to slightly more than two-fifths. However, of the total 9.8 percentage point decline, all but 1.5 percentage points occurred before the 1979-1984 period. Virtually all of the improvement in the high end of the spectrum also occurred prior to the 1980s.

Hence, for both whites and non-whites, for women as well as men, the most recent period of employment expansion has failed to produce anywhere near as much real wage improvement as in the past. Ironically, white men -- those who traditionally have had the greatest advantage in the labor market -- have been the ones who have faced the most severe erosion in their job opportunities. Thus, the ratios of low-wage employment among demographic groups continue to close, but the improvement in these ratios owes more to the fact that white men are suffering great losses than that other groups are making great gains.[17]

By Age. One possibility, of course, is that the low-wage trend is due entirely to the entrance of the baby boom generation into the labor force in the 1970s. One might be led to postulate such an explanation both by ordinary supply and demand theory (in this case, excess supplies of young, inexperienced labor) and by institutional theory which recognizes that young workers usually enter the market at the bottom of seniority ladders.[18]

To test this hypothesis, we divided the full sample into two groups: those below age 35 and all those 35 and above. About a third of the net new persons employed between 1979 and 1984 were in the baby boom cohort. How did they fare relative to their elders? The answer, found in Table 4 and Figures 2a and 2b, is that both groups have experienced a proliferation in low-wage employment. To be sure, the low-wage trend is much more severe among younger workers, but even among those 35 and older, more than a third of net new employment after 1979 paid $7,000 or less (in 1984 dollars). Only 5.3 percent of the net new employment of this group paid $28,000 or more.

Table 4

EMPLOYMENT LEVELS AND EMPLOYMENT SHARES BY AGE, GENDER AND RACE (000's)

	NUMBER OF EMPLOYEES			EARNINGS SHARES			SHARES OF NET NEW EMPLOYMENT	
AGE LESS THAN 35	1973	1979	1984	1973	1979	1984	'73-79	'79-84
LOW STRATUM	19487	21371	24111	41.7%	38.4%	41.4%	21.1%	107.0%
MIDDLE STRATUM	23056	29385	29939	49.3	52.8	51.4	71.0	21.6
HIGH STRATUM	4236	4931	4198	9.1	8.9	7.2	7.8	-28.6
TOTAL	46779	55687	58248	100%	100%	100%	100%	100%
AGE 35 OR MORE	1973	1979	1984	1973	1979	1984	'73-79	'79-84
LOW STRATUM	10161	10692	12640	21.9%	21.5%	22.9%	16.4%	35.3%
MIDDLE STRATUM	25050	26524	29807	54.0	53.4	54.0	45.5	59.5
HIGH STRATUM	11206	12443	12733	24.1	25.1	23.1	38.2	5.3
TOTAL	46417	49659	55180	100%	100%	100%	100%	100%
MEN LESS THAN 35	1973	1979	1984	1973	1979	1984	'73-79	'79-84
LOW STRATUM	8229	8937	10820	30.9%	29.7%	34.9%	20.7%	199.0%
MIDDLE STRATUM	14401	16659	16568	54.1	55.4	53.5	65.9	-9.6
HIGH STRATUM	3990	4452	3606	15.0	14.8	11.6	13.5	-89.4
TOTAL	26620	30048	30994	100%	100%	100%	100%	100%
MEN AGE 35 +	1973	1979	1984	1973	1979	1984	'73-79	'79-84
LOW STRATUM	2811	3062	3741	10.2%	10.9%	12.4%	48.6%	33.6%
MIDDLE STRATUM	14325	13588	15087	52.0	48.4	50.1	-142.8	74.2
HIGH STRATUM	10437	11439	11282	37.9	40.7	37.5	194.2	-7.8
TOTAL	27573	28089	30110	100%	100%	100%	100%	100%

TABLE 4 (CON'T)

	NUMBER OF EMPLOYEES			EARNINGS SHARES			SHARES OF NET NEW EMPLOYMENT	
WOMEN LESS THAN 35	1973	1979	1984	1973	1979	1984	'73-79	'79-84
LOW STRATUM	11258	12434	13291	55.8%	48.5%	48.8%	21.5%	53.1%
MIDDLE STRATUM	8656	12726	13371	42.9	49.6	49.1	74.3	39.9
HIGH STRATUM	245	479	592	1.2	1.9	2.2	4.3	7.0
TOTAL	20159	25639	27254	100%	100%	100%	100%	100%
WOMEN AGE 35+	1973	1979	1984	1973	1979	1984	'73-79	'79-84
LOW STRATUM	7350	7630	8898	39.0%	35.4%	35.5%	10.3%	36.2%
MIDDLE STRATUM	10726	12936	14720	56.9	60.0	58.7	81.1	51.0
HIGH STRATUM	769	1004	1452	4.1	4.7	5.8	8.6	12.8
TOTAL	18845	21570	25070	100%	100%	100%	100%	100%

Source: Calculations from Uniform CPS (Mare-Winship) Data Files.

FIGURE 2A

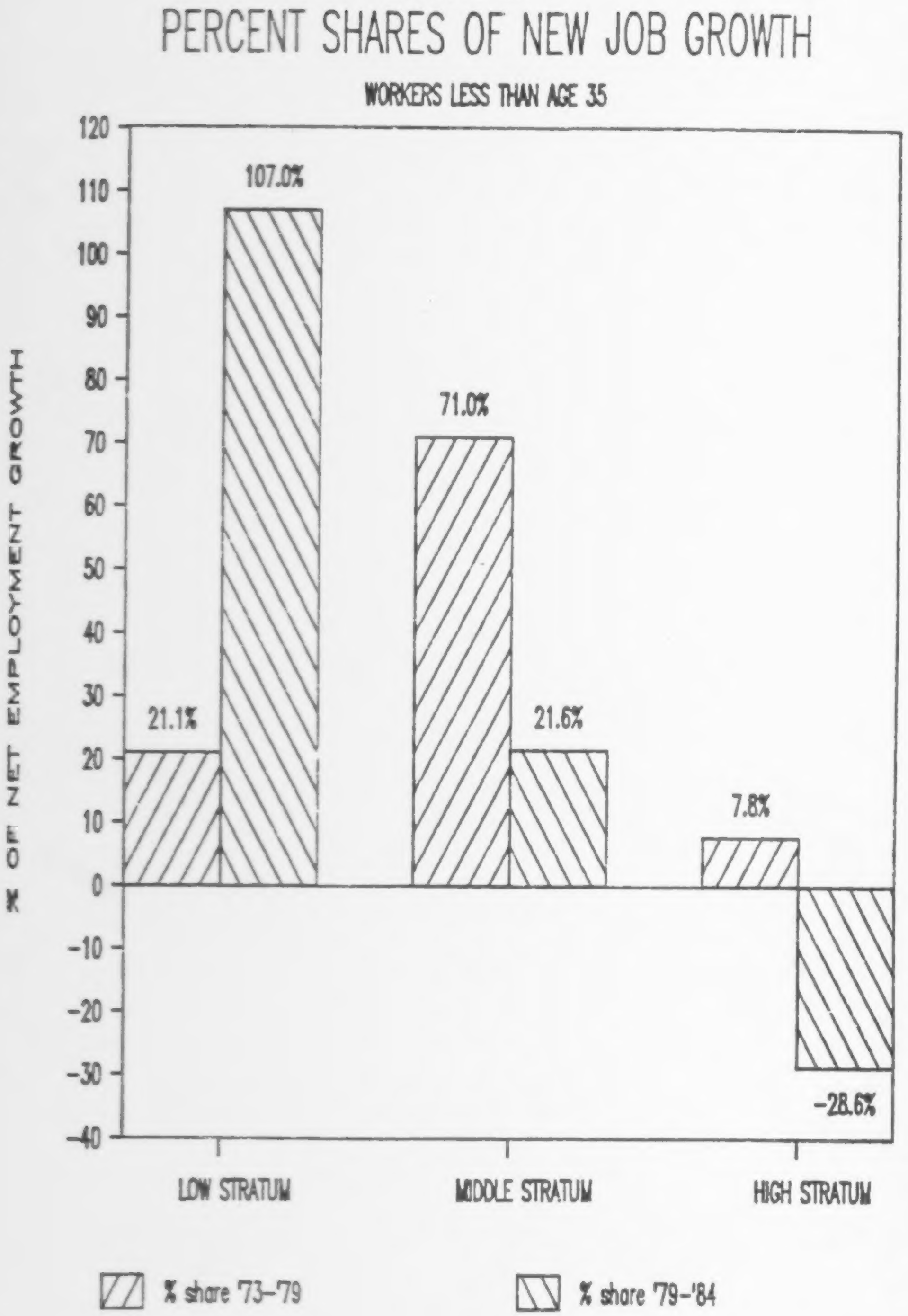
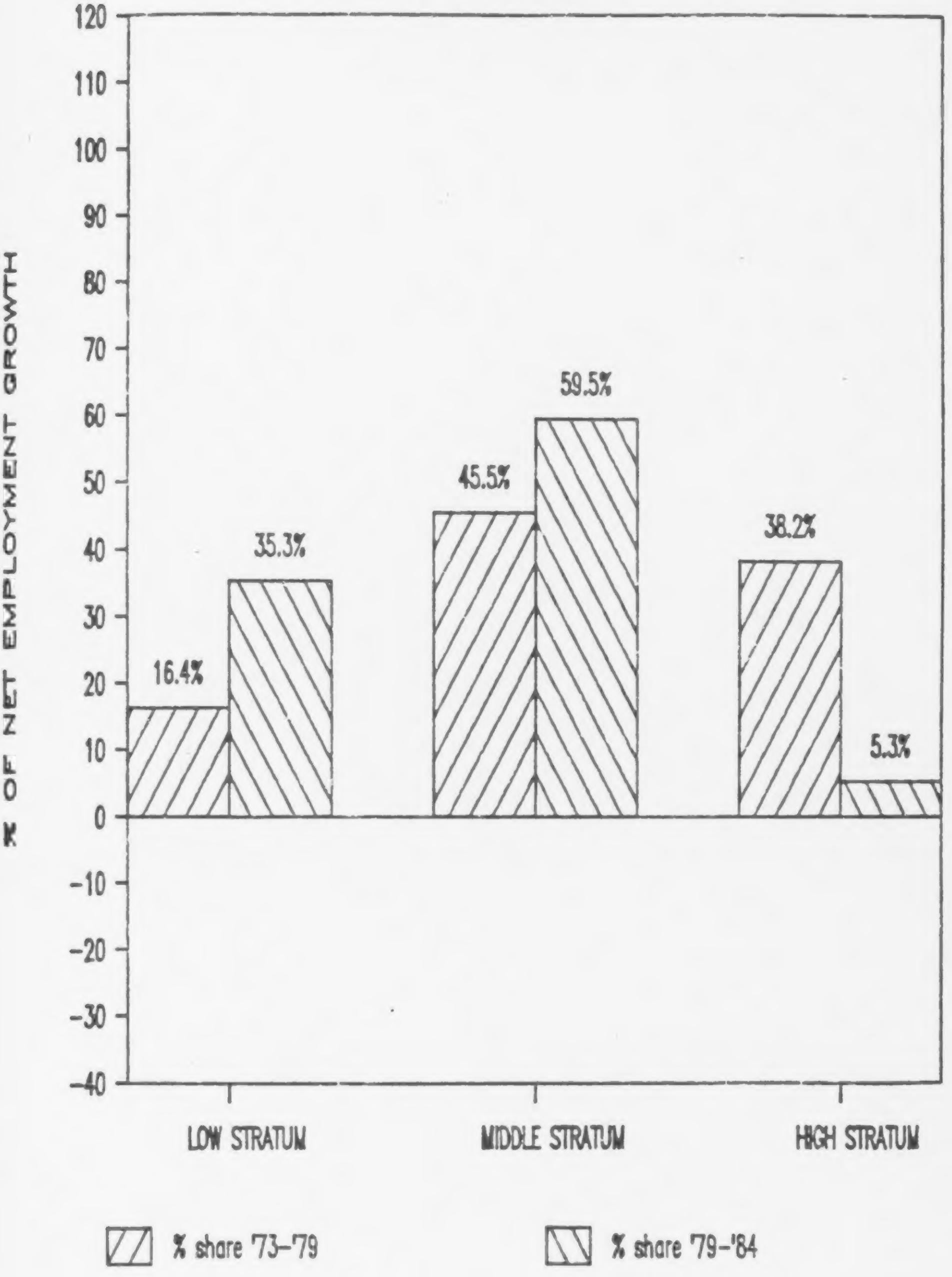

PERCENT SHARES OF NEW JOB GROWTH
WORKERS LESS THAN AGE 35
% OF NET EMPLOYMENT GROWTH
120
110
100
90
80
70
60
50
40
30
20
10
0
-10
-20
-30
-40
21.1%
107.0%
71.0%
21.6%
7.8%
-28.6%
LOW STRATUM
MIDDLE STRATUM
HIGH STRATUM
% share '73-79
% share '79-'84

FIGURE 2B

PERCENT SHARES OF NEW JOB GROWTH

WORKERS AGE 35 OR OLDER



This test of the baby boom hypothesis pooled the records of men and women. What happens when we disaggregate the age data along these lines? There is no question that younger men attempting to cope with labor market conditions since 1979 have confronted enormously increased odds of ending up in the lower pole of the earnings distribution relative to those working during the mid-1970s. The number of net new jobs available to men aged 16-34 in the middle and higher strata of the jobs distribution fell absolutely, so that almost 200 percent of the gain in employment was found in the lowest stratum of the distribution. In contrast, the shift in employment opportunity for older men was modest. This finding is consistent with the hypothesis of growing intergenerational inequality, first uncovered by Frank Levy and Richard Michel.[19]

The pattern of polarization observed for women holds true for both those above and below age 35. The only significant difference between the two groups is that younger women, as expected, have a higher probability of low-wage employment and a lower fraction of high-wage jobs, due presumably to their relative lack of job experience.

By Education. Examination of the changes in the distribution of wage income by education reveals a growing disparity between those with and without at least some college experience. The three panels of Table 5 contain our findings.

In sum, the condition of high school dropouts clearly deteriorated between 1973 and 1984; both the middle and the top of the distribution show a strong tendency toward decline with the overall low-wage share rising from 44.3 to 53.6 percent. (Because the absolute number of high school dropouts declined in each year, our methodology does not permit the normal calculation of net new employment shares.)

High school graduates who did not go on to college also experienced an increase in low-wage employment, but not anywhere near as dramatic as for those who failed to complete grade 12. Still, more than 80 percent of the net new employment among high school graduates paid low wages after 1979. In contrast, the distribution for workers with at least some college education shifted far less. Twenty-eight percent of the net new employment held by college-educated workers after 1979 was low-wage, up from 17 percent in the 1970s. One in six of the net new jobs held by collegians in the most recent period paid $28,000 or more, down from an increment of nearly one in five between 1973 and 1979.

Thus, college-educated workers have not been immune to the tendency toward low-wage employment, but compared with the experience of both high school dropouts and high school graduates, their employment opportunities have been much less constrained by post-1979 labor market developments. At least in terms of annual wages, Americans are apparently becoming increasingly divided along the lines of educational attainment, just as men are becoming increasingly divided in job opportunity across generations.

Table 5

EMPLOYMENT LEVELS AND EMPLOYMENT SHARES BY EDUCATION LEVEL (000's)

	NUMBER OF EMPLOYEES			EARNINGS SHARES			SHARES OF NET NEW EMPLOYMENT	
LESS THAN H.S. DEGREE	1973	1979	1984	1973	1979	1984	'73-79	'79-84
LOW STRATUM	12923	12196	11737	44.3%	47.7%	53.6%	N.A.	N.A.
MIDDLE STRATUM	13865	11553	9158	47.6	45.2	41.8	N.A.	N.A.
HIGH STRATUM	2363	1820	1001	8.1	7.1	4.6	N.A.	N.A.
TOTAL	29151	25569	21896	100%	100%	100%	N.A.	N.A.
HIGH SCHOOL GRADUATE	1973	1979	1984	1973	1979	1984	'73-79	'79-84
LOW STRATUM	9896	11328	14177	27.4%	27.0%	31.2%	25.1%	81.2%
MIDDLE STRATUM	21041	24839	26494	58.2	59.3	58.4	66.5	47.2
HIGH STRATUM	5240	5718	4721	14.5	13.7	10.4	8.4%	-28.4
TOTAL	36177	41885	45392	100%	100%	100%	100%	100%
SOME COLLEGE OR MORE	1973	1979	1984	1973	1979	1984	'73-79	'79-84
LOW STRATUM	6829	8540	10836	24.5%	22.5%	23.5%	17.1%	27.8%
MIDDLE STRATUM	13200	19516	24093	47.4	51.5	52.2	63.0	55.5
HIGH STRATUM	7839	9836	11210	28.1	26.0	24.3	19.9	16.7
TOTAL	27868	37892	46139	100%	100%	100%	100%	100%

Source: Calculations from Uniform CPS (Mare-Winship) Data Files.

By Region. The general trend toward low wage employment is found everywhere in the nation, even in the prosperous Northeast and West census regions (see Table 6 and Appendix A). In the Northeast, site of much of the highly touted high tech R & D and business service expansion since 1979, 91 percent of the net new employment paid annual wages of $7,000 or less in 1984 prices--three times the rate of incremental low-wage job creation of the 1970s. This finding is consistent with earlier reports that the revival of such mature economies as that of New England has been built substantially on the basis of low-wage employment, particularly in services.[20] Even in the relatively prosperous Western region, the average and marginal shares of low-wage employment have turned upward since 1979.

Not unexpectedly, the region with the highest unemployment -- the Midwest -- has faced by far the worst erosion of high wage jobs and the greatest proliferation of low-wage employment. Indeed, none of the more than 8 million net new persons employed nationwide between 1979 and 1984 found work in this part of the country. Those already working in the Midwest saw low wage employment expand by more than 900,000 jobs while the number at work in middle and high wage jobs fell by over a million. As a result, the total share of low-wage employment expanded by 3.3 percentage points (from 30.7% to 34.0%) between 1979 and 1984. As for the South, it experienced net growth in all strata, but low-wage employment expanded the most.

TABLE 6

EMPLOYMENT LEVELS AND EMPLOYMENT SHARES BY REGION (000's)

	NUMBER OF EMPLOYEES			EARNINGS SHARES			SHARES OF NET NEW EMPLOYMENT	
NORTHEAST	1973	1979	1984	1973	1979	1984	'73-79	'79-84
LOW STRATUM	6205	6765	7214	28.6%	28.7%	30.0%	30.8%	90.9%
MIDDLE STRATUM	11441	12766	12948	52.7	54.2	53.9	73.0	36.8
HIGH STRATUM	4073	4004	3867	18.8	17.0	16.1	-3.8	-27.7
TOTAL	21719	23535	24029	100%	100%	100 %	100%	100%
MIDWEST	1973	1979	1984	1973	1979	1984	'73-79	'79-84
LOW STRATUM	8309	8732	9641	32.3%	30.7%	34.0%	15.2%	N.A.
MIDDLE STRATUM	12702	14755	14580	49.4	51.8	51.4	74.0	N.A.
HIGH STRATUM	4690	4990	4118	18.2	17.5	14.5	10.8	N.A.
TOTAL	25701	28477	28339	100%	100%	100%	100%	N.A.
SOUTH	1973	1979	1984	1973	1979	1984	'73-79	'79-84
LOW STRATUM	9894	10455	12697	34.0%	31.6%	33.1%	14.3%	42.4%
MIDDLE STRATUM	15623	18074	20598	53.6	54.7	53.7	62.4	47.7
HIGH STRATUM	3622	4535	5059	12.4	13.7	13.2	23.3	9.9
TOTAL	29139	33064	38354	100%	100%	100%	100%	100%
WEST	1973	1979	1984	1973	1979	1984	'73-79	'79-84
LOW STRATUM	5241	6111	7199	31.5%	30.1%	31.7%	24.0%	44.7%
MIDDLE STRATUM	8341	10315	11619	50.1	50.9	51.2	54.4	53.6
HIGH STRATUM	3056	3844	3887	18.4	19.0	17.1	21.7	1.8
TOTAL	16638	20270	22705	100%	100%	100%	100%	100%

Source: Calculations from Uniform CPS (Mare-Winship) Data Files.

By Industrial Sector. Wage distributions are well known to vary among industries. We are now learning that important changes are occurring within industrial sectors, as well. Consider the data on manufacturing found in the first panel of Table 7. In the earlier of the two periods under examination (1973-1979), the size of the low wage stratum in manufacturing declined sharply while the high wage sector expanded. But since 1979, this trend has been completely reversed. The number of jobs in the high wage stratum is back to the level of 1973, while all of the gross employment gains have come in the low-wage sector. Manufacturing in the twentieth century has historically had a relatively small low-wage stratum, in no small measure due to continuous productivity increases and a high incidence of unionization. According to these results, the contemporary restructuring of manufacturing does not bode well for the continuation of this equitable wage structure.

Table 7

EMPLOYMENT LEVELS AND EMPLOYMENT SHARES BY INDUSTRY (000's)

	NUMBER OF EMPLOYEES			EARNINGS SHARES			SHARES OF NET NEW EMPLOYMENT	
MANUFACTURING	1973	1979	1984	1973	1979	1984	'73-79	'79-84
LOW STRATUM	4344	3926	4199	18.8%	16.2%	18.3%	-39.3%	N.A.
MIDDLE STRATUM	13974	14581	13938	60.4	60.2	60.7	57.0	N.A.
HIGH STRATUM	4819	5694	4825	20.8	23.5	21.0	82.2	N.A.
TOTAL	23137	24201	22962	100%	100%	100%	100%	N.A.
"HIGH TECH"	1973	1979	1984	1973	1979	1984	'73-79	'79-84
LOW STRATUM	313	322	411	15.5%	12.0%	12.1%	1.4%	12.4%
MIDDLE STRATUM	1121	1492	1900	55.5	55.7	55.9	56.4	56.7
HIGH STRATUM	586	864	1087	29.0	32.3	32.0	42.2	31.0
TOTAL	2020	2678	3398	100%	100%	100%	100%	100%
SERVICES	1973	1979	1984	1973	1979	1984	'73-79	'79-84
LOW STRATUM	20417	22965	26737	41.7%	39.5%	40.7%	27.8%	49.6%
MIDDLE STRATUM	22758	28833	32021	46.5	49.6	48.8	66.3	41.9
HIGH STRATUM	5736	6277	6926	11.7	10.8	10.5	5.9	8.5
TOTAL	48911	58075	65684	100%	100%	100%	100%	100%

Source: Calculations from Uniform CPS (Mare-Winship) Data Files.

We have constructed a particular operational definition of "high technology" industries, in order to examine the much-debated question of how well paid is this growing sector of the economy.[21] The results, presented in the second panel of Table 7, suggest that even high tech has not completely escaped the trend toward low wages. During the 1970s, practically none of the net new employment was low wage in this set of industries. Presumably most of the high tech jobs were taken by skilled engineers and technicians. Yet since 1979, almost one in eight of the net new jobs in this sector was low-wage by our $7,000 standard. High tech continues to display a far more equitable wage distribution than any other sector of the economy (with the possible exception of government), but the incremental tendency toward low-wage employment is evident even here. Moreover, the share of net new jobs paying high wages in high tech has fallen, from 42 percent between 1973 and 1979 to 31 percent since then.

As with high tech, the service sector demonstrates a much more stable distribution of employment over time compared to manufacturing. Of course, the share of low wage jobs is much higher (see the third panel of Table 7). Traditionally, two out of every five jobs in this sector have been low wage, compared with less than one in five in manufacturing. This ratio does not seem to have significantly changed over time, although the number of low-wage service jobs has been creeping up since 1979 with half of all net new employment in services being low-wage.

What has changed is the sheer size of the service sector--its growing weight in the overall U.S. industrial mix. With virtually all of the net growth in employment in the current recovery occurring in services, the aggregate proportion of low wage jobs must necessarily rise. How much the changing industry mix is contributing to overall aggregate earnings depreciation is not readily measurable from the data presented here. However, this is a question we will be exploring in future research.[22]

The Case of Year-Round Full-Time Workers. It is conceivable that the overall trend toward low wage proliferation is simply the result of the growing incidence of part-time or part-year work, and not to either interindustry or intraindustry changes in the structure of hourly or weekly wage rates, at all. The findings displayed in Table 8 and Figure 3 do not lend support to this contention. Here we have subsampled only those workers who were employed 50 or more weeks a year and usually worked 35 hours or more per week. For this group of workers, while there is still the possibility of some variation in annual hours worked, much of the dispersion in annual wages and salaries must (by the definition of being year-round, full-time) be coming from differences in hourly wage rates.

What we find is that the trend toward low wage employment and away from high wage jobs among year-round full-time (YRFT) workers is almost as strong as for workers in general. In the early period, the number of low wage YRFT jobs actually declined by more than 400,000 while high stratum employment climbed by 1.7 million. But after 1979, the tables turned completely around. Low-wage employment grew by 1.5 million while the number of persons earning high real wages declined. Indeed, more than one out of five YRFT jobs created between 1979 and 1984 paid no more than $7,000 in 1984 dollars.

From our earlier research, we are led to infer -- but as yet cannot definitively conclude -- that the absolute growth in lower wage (but year-round) service jobs is contributing to the expansion of the low wage stratum in the economy, while the decimation of employment in a major portion of the manufacturing sector is responsible for the losses sustained in the high end of the distribution. It will take formal econometric disentangling of variations in industry-specific work experience to finally achieve closure on this subject, another task we are presently pursuing.[23]

Table 8

EMPLOYMENT LEVELS AND EMPLOYMENT SHARES YEAR-ROUND FULL-TIME WORKERS (000's)

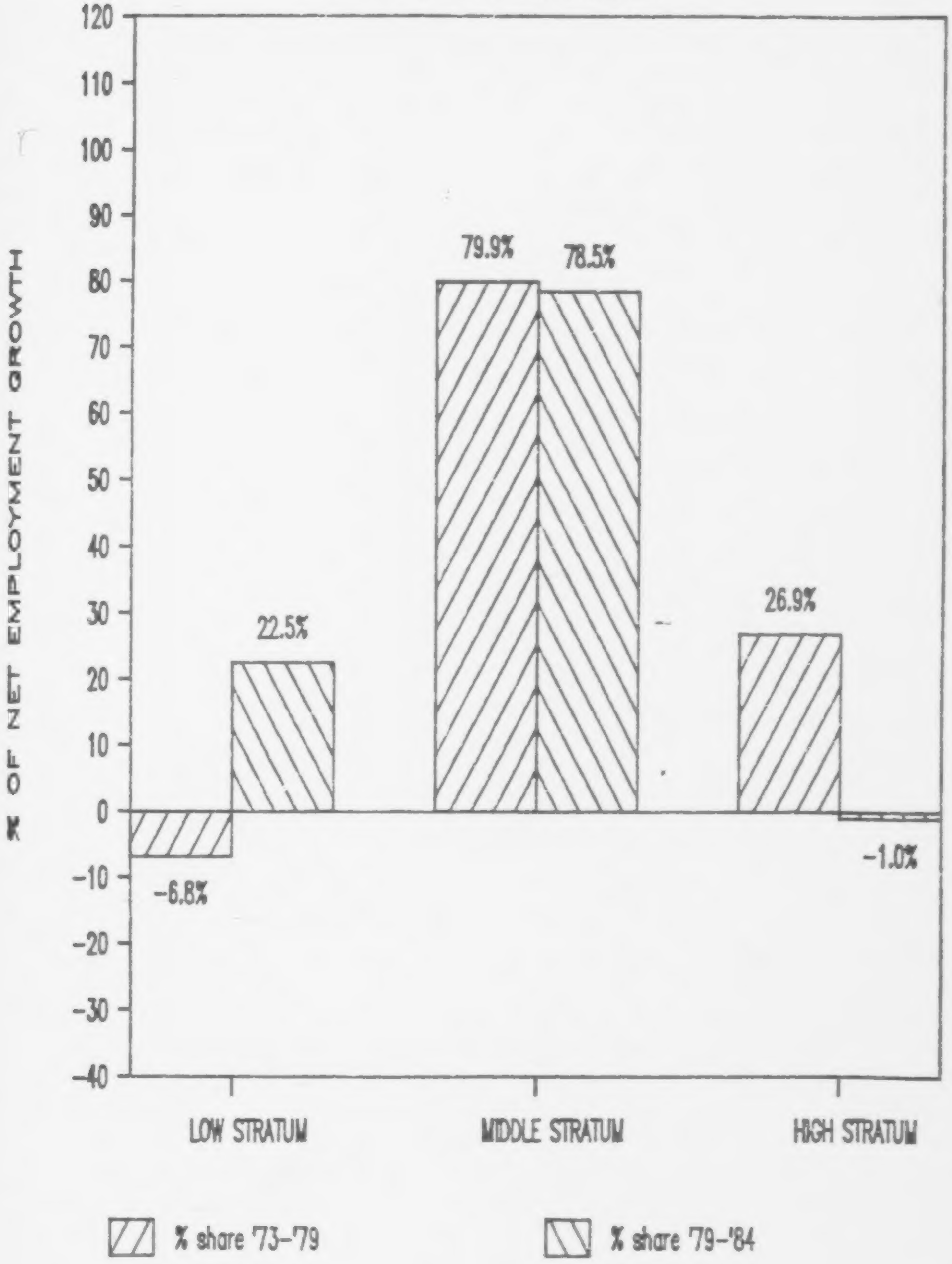
	NUMBER OF EMPLOYEES			EARNINGS SHARES			SHARES OF NET NEW EMPLOYMENT	
YEAR-ROUND FULL-TIME	1973	1979	1984	1973	1979	1984	'73-79	'79-84
LOW STRATUM	2842	2411	3920	5.4%	4.1%	6.0%	-6.8%	22.5%
MIDDLE STRATUM	35369	40436	45702	67.5	68.8	69.8	79.9	78.5
HIGH STRATUM	14201	15904	15838	27.1	27.1	24.2	26.9	-1.0
TOTAL	52412	58751	65460	100%	100%	100%	100%	100%

Source: Calculations from Uniform CPS (Mare-Winship) Data Files.

FIGURE 3

PERCENT SHARES OF NEW JOB GROWTH

YEAR-ROUND FULL-TIME WORKERS



Conclusion

The continuing decline in high wage manufacturing, combined with the expansion in the low-wage retail trade and service sectors, have led to the popular perception that America may be on the verge of losing its middle class.[24] Writers often equate "middle class" with "recipients of middle-level incomes". In those terms, our results confirm an unmistakable trend in this direction for individual working people.[25]

At the margin, the net additions to employment being generated in the U.S. since the late 1970s have been disproportionately and increasingly concentrated at the low-wage end of the spectrum. That 58 percent of all net new employment between 1979 and 1984 paid annual wages of less than $7,000 clearly supports this conclusion. Indeed, if the ratio of net new low-wage employment to net new total employment for the earlier period (1973-79) had prevailed for the period after 1979, the total number of new low wage positions would have been only 1.6 million, rather than the 4.7 million that we actually experienced. Hence, the strong and apparently enviable record of job creation since 1979 masked the fact that more than 3.1 million of the 8 million net new jobs represented additional low-wage employment over and above the number of low-wage jobs that would have been created under earlier conditions. That there was an absolute decline of more than 450,000 jobs paying high wages confirms the recent shift toward low-wage work.

Of all the demographic groups in the U.S., younger white men have been the biggest losers in the sense that all of the net new jobs held by this group after 1979 paid very low wages. In contrast, the share of all new jobs held by white women which pay high wages grew between 1973-79 and 1979-84, while the incidence of very low-paying work increased only slightly. The earnings of workers of color of both genders have not continued to improve as in the earlier period. Notable in this regard is the apparent halt in the previous trend toward a growing high wage share for non-white men. In the period 1973-1979, 42 percent of the net employment growth among minority men was in the high wage end of the distribution. In the years since 1979, that proportion has dropped to 6.4 percent.

The tendency toward the expansion of the low-wage end of the earnings distribution appears to be concentrated especially in the Midwest, but no region of the country is completely immune from it. Finally, the tendency toward low wages is particularly pronounced within the manufacturing sector (which started the period with the smallest low-wage stratum), but it appears even in high tech and in the broadly defined service sector.

A growing volume of research by Danziger and Gottschalk, Thurow, Bell and Freeman, Levy and Michel, and others all points in the same general direction -- a tendency toward low wages in particular and growing income inequality in general in the United States. It would seem that a serious political debate over how this unsettling development might be reversed should be on the agenda of the next Congress.

ENDNOTES

[1] The European statistics are based on Joyanna Moy, "Recent Trends in Unemployment and the Labor Force, 10 Countries," Monthly Labor Review, Vol. 108, No. 8, August 1985, p. 11; and "The OECD Member Countries - 1986 Edition," The OECD Observer, No. 139, March 1986. The European countries referred to here include France, West Germany, the United Kingdom, Italy, the Netherlands, and Sweden. The United States statistics are from the Economic Report of the President - 1986 (Washington D.C.: Government Printing Office, 1986) and "Economic Indicators," (Washington D.C.: Government Printing Office, 1986), June 1986. If 30 million actual new jobs are created over some period of time, while 10 million are eliminated due to plant closings, partial layoffs, bankruptcies, etc, the net change is 20 million. The 30 and 10 million figures are called "gross" job changes; the "net" job change is the simple arithmetic difference between the two. In this paper, we investigate net changes in employment.

[2] Council of Economic Advisors, Economic Indicators (Washington, D.C.:Government Printing Office, September 1986, p. 11.

[3] This conservative estimate of the unemployment rate under the more rapid job growth scenario assumes that one-half of the additional jobs would go to presently unemployed workers, with the other half going to growth-induced additional labor force participants. In August 1986, this would have led to a decline in total civilian unemployment from 8.027 to 7.477 million and a rise in the civilian labor force from 118.182 to 118.732 million. The base data are from Economic Indicators (Washington, D.C.: Government Printing Office, September 1986).

[4] Barry Bluestone and Bennett Harrison, The Deindustrialization of America (New York: Basic Books, 1982); Bluestone, Harrison, and Alan Clayton-Matthews, "Structure vs. Cycle in U.S. Manufacturing Job Growth", Industrial Relations 25, no. 2 (Spring 1986), pp. 101-117.

[5] For a series of such decompositions, see Chris Tilly, Bennett Harrison, and Barry Bluestone, "Increasing Inequality in the Income From Work in the U.S.: Industry Mix, Work Experience, or Wage Rates?", paper to be presented to the Annual

Meetings of the Industrial Relations Research Association, New Orleans, December 1986.

[6] For those interested in the broader question of how the aggregate distribution of earnings has changed over time, see Bennett Harrison, Barry Bluestone, and Chris Tilly, "The Great U-Turn: Increasing Inequality in Wage and Salary Income in the U.S.", U.S. Congressional Joint Economic Committee, Washington, D.C., January 1986; and "Wage Inequality Takes a Great U-Turn",Challenge, March/April 1986; reprinted in David Obey and Paul Sarbanes, eds., The Changing American Economy (New York: Basil Blackwell, 1986). For broadly similar findings on the existence of a long-run tendency toward rising wage or earnings inequality, see Martin Dooley and Peter Gottschalk, "The Increasing Proportion of Men with Low Earnings in the United States," Demography, February 1985; Sheldon Danziger and Peter Gottschalk, "How Have Families with Children been Faring?" U.S. Congressional Joint Economic Committee, November 1985; and Lester Thurow, "A General Tendency Toward Inequality," American Economic Review/Proceedings, May 1986.

[7] In this paper, we are only concerned with the distribution of income among individual workers. There is a rich literature on other distributional indicators, such as changing differences in average wages among industries or among occupations. For examples of the former, see Linda Bell and Richard Freeman, "The Rising Dispersion in Industrial Wages in the U.S.: Efficient vs. Inefficient Wage Flexibility", National Bureau of Economic Research, Cambridge, Ma., September 1985, mss.; and Organization for Economic Cooperation and Development, Employment Outlook (Paris: OECD, September 1985), ch. 5. The most well-known example of the latter is Neil Rosenthal, "The Shrinking Middle Class: Myth or Reality?", Monthly Labor Review, March 1985. Bell and Freeman and the OECD researchers report sharply increasing interindustry wage inequality in the U.S. during the 1970s. Rosenthal's study implies declining interoccupational wage inequality between 1973 and 1982.

Nor do we treat family income in the present paper. But see Bennett Harrison and Barry Bluestone, The Great U-Turn: Rising Inequality, Low Wages, and the Shattered American Dream (N.Y.: Basic Books, in preparation). The most recent of many published empirical studies to demonstrate rising family income inequality over time (and, in this case, a tendency toward polarization as well) is by Katharine Bradbury, "The Shrinking Middle Class", New England Economic Review, September/October 1986.

[8] That hourly wage rates are certainly becoming increasingly unequally distributed among individual workers in the 1980s is confirmed in Tilly, et. al., op. cit.

[9] "Wage and salary income" is a subset of the Census category

"earnings". In the official Census and B.L.S. Data series, "earnings" includes not only wage and salary income, but also net income from entrepreneurial activity such as business proprietorships. The earliest definitive research on earnings per se is by Peter Henle; see his "Exploring the Distribution of Earned Income, Monthly Labor Review, December 1972; and Henle and Paul Ryscavage, "The Distribution of Earned Income Among Men and Women, 1958-77", Monthly Labor Review, April 1980. Because the net income (profits) reported by independent business-persons is measured so poorly (and may, at least to some extent, be rigged by small companies and proprietorships in accordance with the tax code), we have chosen to work exclusively with the variable "wage and salary income". The reader should note that even this variable is not an ideal measure of worker compensation in that the government makes no systematic attempt to capture non-wage benefits such as vacation pay or employer contributions to life or health insurance premiums in these numbers.

[10] The data used to make this estimate and all others are from the March Current Population Survey (CPS) Uniform File developed from official U.S. Census data by Professors Robert D. Mare of the University of Wisconsin and Christopher Winship of Northwestern University. The data set is discussed in greater detail in a subsequent section of this paper.

[11] The reader should once again recall that the data do not represent jobs per se, but rather the wage and salary income of each person in the sample over the course of the year prior to the March survey month. This includes overtime and pay from a sequence of jobs as well as "moonlighting" -- the holding of more than one job at the same time. Thus it is somewhat imprecise to describe any of the patterns that emerge from an analysis of the CPS as telling us anything about "job creation", the "number of low-wage jobs", etc. Strictly speaking, all we can infer is how many more (or fewer) people are working. It is almost impossible for researchers and writers in this field to prevent ourselves from occasionally slipping into the "job-creation" language, but the reader should be aware of the limitations in such usage.

[12] This hypothesis is at least partially confirmed by sensitivity tests on the subsample of persons who reported working year-round full-time. The results for this group were substantially robust across various beginning and end points, suggesting that changes in the density of the poles of the earnings distribution reflect more than cyclical swings in hours worked.

[13] See Paul Ryscavage, "Reconciling Divergent Trends in Real Income," Monthly Labor Review, Vol. 109, No. 7, July 1986, Table 2, p. 26.

[14] All estimates are weighted by the "supplementary person weights" provided on the Mare-Winship tapes.

[15] There is strong evidence for the former conjecture. According to BLS Employment and Earnings data, since 1979 the number of part-time workers has grown nearly twice as fast as full-time ones: 18.4 percent versus 9.9 percent. These part-time jobs contributed nearly 30 percent of the total job growth between 1979 and 1985. Computed from U.S. Bureau of Labor Statistics, Employment and Earnings (Washington, D.C.: Government Printing Office) January 1980 and January 1986, as reported in Industrial Union Department, The Polarization of America (Washington, D.C.: AFL-CIO, 1986), Table 3, p. 20.

[16] Bureau of Labor Statistics, Employment and Earnings, Vol. 33, No. 3, March 1986, pp. 79-81.

[17] Actually, the improvement in low-wage employment ratios is exclusively restricted to women versus men. Note the ratios of low-wage employment shares for the following groups:

	1973	1979	1984
Non-white men/ white men	1.36	1.36	1.40
White women/ white men	2.41	2.15	1.88
Non-white women/ white men	2.58	2.13	1.79

The largest relative improvement has been among non-white women followed by white women. For non-white men, the low wage share has actually increased relative to white men.

[18] For one such study, see Robert Z. Lawrence, "Sectoral Shifts and the Size of the Middle Class," The Brookings Review, Fall 1984.

[19] Frank S. Levy and Richard C. Michel, "The Economic Future of the Baby Boom", U.S. Congressional Joint Economic Committee, Washington, D.C., December 1985.

[20] Bennett Harrison, "The Economic Transformation of New England Since World War II", in Larry Sawers and William Tabb, eds., Sunbelt-Snowbelt (N.Y.: Oxford University Press, 1984).

[21] Our definition includes the following industries: electronic computing equipment; radio, t.v., and communications equipment; scientific and controlling instruments; optical and health equipment; photographic equipment; computer data processing services, commercial research,development, and testing labs;

engineering, architectural, and surveying services. The most notable -- and unfortunate -- exclusion from this list is electronic components. We leave it out simply because, on the CPS tapes, it is grouped together with other industries having sharply dissimilar labor processes (e.g. heavy electrical equipment, such as engines and turbines, which are typically manufactured in large plants under unionized labor). Since electronic components are well-known to pay low average wages and to include an especially large component of low-wage jobs, the exclusion of this sector biases the results shown in the text _against_ the hypothesis of low-wage proliferation in high-tech. Richard Gordon and Linda Kimball, "High Technology, Employment, and the Challenges to Education", Silicon Valley Research Group, Working Paper No. 1, Santa Cruz, Cal., July 1985. That is, the findings we report _understate_ the tendency toward low-wage job creation (and possibly polarization) in high tech.

[22] Tilly, et. al., op. cit.

[23] Ibid.

[24] See, for example, Bob Kuttner, "The Declining Middle," _The Atlantic Monthly_, July 1983; Thomas B. Edsall, "More than Ever, the Electorate is Polarized on Economic Lines," _The Washington Post National Weekly Edition_, January 6, 1986, p. 23.; Stephen J. Rose, _Social Stratification in the U.S._ (Baltimore: Social Graphics Co., 1983); and Lester Thurow, "The Disappearance of the Middle Class: It's Not Just Demographics," _The New York Times_, February 5, 1984, p. F3.

[25] Actually, the whole treatment of the category "class" in this literature is extremely ambiguous. From our perspective, class has to do with the _sources_ of a person's income, not the level, and especially whether or not that income derives principally from working for wages. Surely the proportion of Americans whose livelihoods depend _mainly_ on working for other people in order to pay their rent and raise their families has not declined since the early 1970s! Nor is there any reason to suspect that it will decline in the foreseeable future.

APPENDIX A

Northeast	North Central	South	West
Connecticut	Illinois	Alabama	Alaska
Maine	Indiana	Arkansas	Arizona
Massachusetts	Iowa	Delaware	California
New Hampshire	Kansas	District of Columbia	Colorado
New Jersey	Michigan	Florida	Hawaii
New York	Minnesota	Georgia	Idaho
Pennsylvania	Missouri	Kentucky	Montana
Rhode Island	Nebraska	Louisiana	Nevada
Vermont	North Dakota	Maryland	New Mexico
	Ohio	Mississippi	Oregon
	South Dakota	North Carolina	Utah
	Wisconsin	Oklahoma	Washington
		South Carolina	Wyoming
		Tennessee	
		Texas	
		Virginia	
		West Virginia	

APPENDIX B

WORKERS BY ANNUAL EARNINGS STRATUM (MILLIONS)

	1973	1979	1984
BELOW 50% OF 1973 MEDIAN	29.65	32.06	36.75
BELOW 75% OF THE 1973 MEDIAN	38.31	44.28	50.13
BELOW THE 1973 MEDIAN	46.60	53.13	63.04
ABOVE THE 1973 MEDIAN	46.60	52.22	50.39
BELOW 50% OF THE 1973 MEDIAN	29.65	32.06	36.75
BETWEEN 50% AND 75% OF 1973 MEDIAN	8.67	12.22	13.38
BETWEEN 75% AND 100% OF 1973 MEDIAN	8.29	8.85	12.91
ABOVE THE 1973 MEDIAN	46.60	52.22	50.39

INCREASES IN EACH EARNINGS STRATUM (MILLIONS)

	73-79	79-84
BELOW 50% OF 1973 MEDIAN	2.41	4.69
BELOW 75% OF THE 1973 MEDIAN	5.96	5.86
BELOW THE 1973 MEDIAN	6.53	9.92
ABOVE THE 1973 MEDIAN	5.62	-1.83
BELOW 50% OF THE 1973 MEDIAN	2.41	4.69
BETWEEN 50% AND 75% OF THE 1973 MEDIAN	3.55	1.16
BETWEEN 75% AND 100% OF THE 1973 MEDIAN	0.56	4.06
ABOVE THE 1973 MEDIAN	5.62	-1.83

PERCENTAGE OF NET JOB GROWTH BY EARNINGS STRATUM

	73-79	79-84
BELOW 50% OF 1973 MEDIAN	19.~~84~~%	58.08%
BELOW 75% OF THE 1973 MEDIAN	49.09%	72.48%
BELOW THE 1973 MEDIAN	53.73%	122.69%
ABOVE THE 1973 MEDIAN	46.27%	-22.69%
BELOW 50% OF THE 1973 MEDIAN	19.84%	58.08%
BETWEEN 50% AND 75% OF THE 1973 MEDIAN	29.24%	14.41%
BETWEEN 75% AND 100% OF THE 1973 MEDIAN	4.64%	50.21%
ABOVE THE 1973 MEDIAN	46.27%	-22.69%

The CHAIRMAN. Mr. Harrington?

Professor HARRINGTON. Senator, in what I will say briefly now and in my written testimony, I will talk about what should be done, not what can be done. I trust that you and Senator Simon and others will have to address the second problem.

I feel that my job is to say what should be done. Let me just say three things. Number one, Barry Bluestone and Ben Harrison, I think, have done the definitive work on many of these issues of the labor market, and I just want to stress one fact, with a particular footnote to it.

That is that we cannot depend on the labor market by itself, or simply with a little encouragement from the government, to achieve full employment in this period. We cannot.

The trends of internationalization, technological revolution, multinational corporations, all work against that.

My footnote is, not from Barry Bluestone and Ben Harrison, whom I like and admire, but from the New York Stock Exchange, which I do not necessarily like and admire on all occasions. A 1984 study of the New York Stock Exchange talked about people seeing very high percentage growth in some jobs, computer-related jobs, and assuming that this trend is creating enough jobs to help us achieve full employment. They pointed out that that is an illusion. The New York Stock Exchange study found that for computer jobs to equal building superintendent jobs, they would have to grow at a rate of 1,743 percent.

Second, Workfare. I think this is very important for this Committee. The idea of Workfare has improved enormously since that cruel, punitive attitude surfaced at Newburgh, New York in the early Sixties. The Massachusetts ET Program, I think, has done some very, very good things, and actually all it requires, as I understand it, is registration for the program. That is to say, it is not a compulsory program in terms of taking a job.

The CHAIRMAN. Vastly oversubscribed.

Professor HARRINGTON. Right. But that is, in a sense, my point. My point is this, that in talking about Workfare, and in, I think, very casually using the concept of an under-class, that is to say, of an irresponsible, criminal group of people who will only work if you force them to work, we really have lost sight of what the facts are.

The fact is that the overwhelming majority of welfare recipients in the United States work as soon as they get a chance. They are not criminal. They are not irresponsible. Their problem is they cannot find a job, not that they do not want the job.

We now know from the University of Michigan data that women on AFDC, AFDC mothers, half of them leave AFDC in two years, and they do so by working; that only 15 percent are on AFDC for eight years or more.

I think this image that we have of a large population of welfare recipients, who have to be shoved into a job by compulsion, simply is not true.

Parenthetically, there is a similar confusion on out-of-wedlock births. It is a very real problem, but the fact of the matter is that for the last 20 years, there has been a decline in the rate at which black, unmarried women have been having children. What has gone up, because the total birth rate has gone down, is the proportion of total children born out-of-wedlock to such mothers. But I think we have to be very careful, again, in not wildly exaggerating a problem.

One last point on Workfare. I think we should abandon the word; we should abandon the concept that an American citizen should be required to work for welfare. The solution is jobs—and I would also add, union jobs—that is to say, jobs in which workers are organized and have rights as well as income. I am fearful right now that, if we keep de-unionizing America, if we keep following the trends that Barry Bluestone and Ben Harrison have documented, that is going to be a catastrophe for all of us and not just the unemployed or the poor.

Finally, just three or four ideas on what should be done. Number one, in talking about jobs, and in following up the excellent testimony of Tom Donahue on minimum wage, do not forget that welfare entitlements have been going down since 1969 in real terms.

The notion of Charles Murray and others, that our extreme generosity to the poor is forcing them out of the labor market, overlooks the fact that they have much less today in real terms than they had in 1969. And I am for jobs, but for those people who cannot work, I am for giving them a decent, livable income.

Secondly, related to that, I believe that Senator Simon has really hit a crucial issue. We are now on the eve of Martin Luther King's birthday. His actual birthday is two days from today; the celebration is next Monday. Right before Martin Luther King was killed, he was campaigning for an Economic and Social Bill of Rights, much as Senator Harkin was describing, in which a right to a job would be made a fundamental right of the citizen. And I do not think we are going to deal with these problems unless we come back to that.

I think that the idea of dealing with the problem of productivity by having real democratic participation is extremely important. And I would simply refer you to the fact that in my written testimony, I talk about the necessity of looking at the ESOP Law, which much more often than not benefits management rather than workers, and confers very few real rights of participation on workers. Among many other things, I think a real right of worker participation could be a source of tremendous new productivity in American society.

Finally, I am delighted that Senator Harkin was talking about dealing with the 40-hour week. The idea of the 40hour week was first surfaced in the United States in 1860 by the National Labor Union. It was adopted in 1885 by the AFL as a goal. We achieved it in 1938. Next year, when we celebrate the 50th anniversary of the 40-hour week, I think we should be talking about the 35-, the 32- or the 30-hour week, at 40 hours pay. I know perfectly well you cannot do that to the wage system overnight; it would wreck the economy—but I think there are ways to move toward it, and that one of the things that this Committee should do—and let me conclude on this point—is not simply look at these issues and problems as challenges and difficulties, but look upon them as opportunities not simply to resolve the problems of the poor and the working people, but to create a much more decent and just and humane society for absolutely every American.

The CHAIRMAN. Thank you.

[The prepared statement of Professor Harrington follows:]

Testimony of Michael Harrington

Senate Labor and Human Resources Committee

January 13, 1987

Full employment is the precondition of every social priority in the United States.

It is also crucial, not simply to the disadvantaged - the poor in general, the minority and female poor in particular -, but to the functioning of the entire American economy. If we do not perform much better than we have in the past, the middle and even the upper reaches of the society will suffer even if not as cruelly as those at the bottom.

With a chronic 7% jobless level in "good times", the wages of the working poor and the welfare benefits of the dependent poor are depressed. Since these strata are disproportionately composed of minorities and women, that means that the economy has the effect of institutionalizing and reinforcing both racism and sexism in America. At the same time, we now know that white men have been, since 1979, grievously affected by these same trends. In the excellent Joint Economic Committee study prepared by Barry Bluestone and Bennett Harrison, it was shown that that the new jobs generated for this once relatively priveleged group were, between 1979-84, overwhelmingly in the low wage sector and it experienced a net loss of highly paid jobs. [1]

This same dismal economic perfomance has been the excuse for the relaxation of environmental laws and for limiting the levels of simple human decency which the Federal government can afford. If the promise of last year's Reagan-Gorbachev summit were, as we all fervently hope, fulfilled in future negotiations, there would not simply be Federal budgetary savings, but also a decline in jobs in an important high tech - mainly highly skilled - part of the economy. It is still, then, necessary to prepare for the economics of peace.

And finally, it is clear that the current level of joblessness is a key reason for the effectivness of strike breaking and anti-unionism as well as for the excessively modest wage gains of American working people, who have yet to return to

1973 levels of real pay.

That, someone might argue, is unfortunate for those workers and their unions, but they are only a minority of the population and therefore not an essential priority, however much one might sympathize with them.

That, I believe, is a dangerous error. The genius of the New Deal, and all of the liberalisms (Republican as well as Democratic) that followed in its footsteps, is that it understood that effective mass production requires mass consumption. For that matter, Henry Ford, with his five dollar a day innovation before World War I, acted on precisely that insight.

But if we continue on the present pattern, reducing the unionized (and relatively well paid) portion of the work force, creating more and more low wage and part-time jobs, fueling a recovery by reducing wage costs, we are in danger of returning, if not to the catastrophe of 1929, then to that forgotten but very real problem of over production and under consumption.

A low wage, union-free America is an economic disaster for everyone waiting to happen. "Cheap" workers, we must never forget, are also cheap consumers once the credit cards run out.

But one of the dirty little secrets of American society today is that very few people really think full employment possible. When John F. Kennedy became President in 1961, he defined full employment as a 3% jobless rate with an interim target of 4%. Yet when the first draft of the magnificent pastoral letter of the American Catholic bishops on the economy simply reiterated that Kennedy goal, the statement was attacked as an example of ignorant utopianism (and the bishops removed the numerical target from subsequent drafts, even though the final pastoral remains one of the best statments of social and economic policy in the country today).

The business press does not hide the fact that corporate America believes that one crosses the "inflation threshhold unemployment rate" at about 6%. Now I do not think that this is true - indeed, I hold to Lord Beveridge's famous definition according to which full employment occurs when there are more openings than workers looking for them - but those who do must face up to the consequences of their judgement. They are saying that, even in good years, it is impossible to abolish poverty, racism, sexism or environmental degradation.

Ironically, this conservative acceptance of a jobless pool of seven million or more citizens sounds suspiciously like Marx's assertion in Volume I of Das Kapital that capitalism requires a "reserve labor army of the unemployed" in order to function.

I do not accept this neo-Marxist fatalism of so many on the Right and even in the Center of the debate. I therefore propose to explore, quite briefly, three of the critical aspects of the full employment problem today: the way in which the "natural" evolution of the economy makes quality job creation more difficult than ever before and therefore requires new forms of government intervention; the false solution of "workfare" and the dangerous stereotyping of the poor that often goes with it; a few thoughts on positive measures to deal with the goals I have outlined.

I

In an article in the Wall Street Journal, Ronald K. Shelp and Gary Hart write that our "situation requires understanding an economy as different from manufacturing America as was the industrial revolution from the agrarian society that preceeded it." That is an exaggeration, but the exaggeration of an important truth.

Actually, Shelp and Hart continue, we are moving toward a service society which is wrongly stereotyped "by popular catchy slogans such as 'Big Mac vs. Big Steel' ". In fact, they argue on the basis of a 1984 government report, the service sector is, by 60%, concentrated on information functions. So jobs like programmer, teacher, accountant, manager or technician", i.e better paid service jobs, "constitute the fastest-growing segment of service-sector employment."[2]

Now it is absolutely true that some of those occupations will indeed grow rapidly but, according to Bureau of Labor Statistics projections, only one of them, teachers, is in the top ten fastest expanding occupations. Indeed, all of the computer related openings estimated between now and 1995 in the list of forty occupations with the greatest growth will add fewer jobs than the increase in building custodians alone.[3] Of the ten fastest growing jobs, six tend toward the low wage end of the scale (custodian, cashier, sales clerks, waiters and waitresses, nursing aides and orderlies) and none are high wage.

The New York Stock Exchange, in a 1984 analysis, corroborated this point. Even though it wanted to show that "good jobs" were being created in abundance, the Exchange had to recognize that well over half the jobs in Personal and Business Services were in the low middle, or bottom, of the wage pattern. Anticipating the point made here, it commented: "As of 1982...there were 2,904,000 buiding custodians, but only 55,000 computer service technicians! Thus, even though the rate of increasse in the demand for computer service technicians (123% by 1995) will far outpage that for custodians (33%) in raw numbers, far more custodian jobs will open up than will computer service jobs. An increase in computer service technician jobs would match in absolute numbers the increase in custodial jobs would imply a relative growth of 1,743!"[4]

The excellent study of Bluestone and Harrison generalized this point and placed it in its historic context. It showed that "the net new employment created between 1979 and 1984 has occurred disproportionately at the low extrme of the wage and salary distribution (i.e. below $7000 in 1984 dollars). Specifically, during the 1970s about one out of every five net additional wage-earners found a job (or jobs) paying as little as $7000. Since 1979, that fraction has risen to nearly six in ten."[5]

I know that the trends I am outlining here remain a subject of debate and that, for instance, an analysis by Neal Rosenthal in the May, 1985 issue of the Monthly Labor Review came to quite different conclusions. But, as Mark Levison and I showed in a careful review of Rosenthal's article, there are many reasons to doubt his findings, i.e. 49% of the professional and technical workers whose job increases he cites as a good omen made less than $19,968 in 1982 and were located in the lower middle and bottom thirds of the wage structure. This is precisely the kind of analysis that Bluestone and Harrison have now generalized.[6]

In saying this, I do not dismiss the Shelp-Hart policy conclusions out of hand. When, for instance, they point out how wrong it is to deprive workers of unemployment compensation if they enter into a training program, they are on target. Even the concept of allowing a worker to have an Individual Training Account in an employer-employee contributed fund on the model of Social Security might have some - but to my mind, quite limited - relevance.

But for either of those proposals to work, it would be necessary to have a full employment economy. If there was any one thing we learned through the Job Corps and its successor programs, it was, and is, that there have to be openings for which you train people. "Training" in an economy of declining occupational opportunities could be a largely wasted investment and the Individual Training Accounts could go the way of so much small business in this period, i.e. the way of bankruptcy.

We have dramatic confirmation of this point from Massachusets. One of the reasons why the ET program there has been relatively successful is that the state has one of the lowest unemployment rates in the nation. If the national level of joblessness were around 3%, then all kinds of experiments might work which simply will not be successful with 7% of the workforce, or more, in the streets. Indeed, the ironic truth is that the states which have the most need, because they have so many people out of work, are the ones where various reforms are least likely to function. That is one of the many reasons why I said at the outset that full employment is a precondition of so many other policies.

The business press, which is often blunt and candid, has been documenting the difficulties which we face under the far from ideal conditions which actually do prevail in the nation. For instance, a December, 1986, article in Business Week talks of the tremendous increas~~s~~e in "contingent" employees, "those who work at home, outside contractors, or involuntarily work part time". They have, Business Week reports, doubled since 1980 and now account for 17% of all workers. Their average pay is $4.17 an hour, compared with $7.05 an hour for regular full time workers and 70% of them have no employer-contributed retirement plan, 42% are without health insurance.[7]

Even some of the recent "good news" is, from the vantage point of full employment policy, bad. Thus, a recent Business Week cover story and a Wall Street Journal Monday column talked hopefully of the revival of the manufacturing sector. But there is what the Wall Street Journal itself termed a "Jekyll-Hyde" relationship hidden within this trend. That is, real manufacturing output is indeed up by 30% since 1982 - but jobs grew by less than 6%. And in 1986, when output rose by 1%, employment actually declined by 200,000.[8]

Let me generalize. Ronald Shelp and Gary Hart argued, as we have seen, that the present transition is as profound as the one that marked the change from agricultural to industrial society. That is overly dramatic and somewhat true. But think back to the emergence of mass production, the rise of the corporation and the creation of the mass market. Those trends were cause and effect of one another and they became dominant in the period between 1880 and World War I.

Yet it took the United States roughly half a century to develop a political and social infrastructure capable of containing and channeling that industrial upheaval. Moreover, it is clear that, even when this country did effectively respond, during the New Deal, it did so on an improvised, ad hoc, basis. In his marvelous new study, The New Deal Years, 1933-1937, Kenneth S. Davis reports on the aftermath of the one meeting between FDR and John Maynard Keynes in the spring of 1934: Both participants talked to Labor Secretary, Frances Perkins: "'I saw your friend Keynes,' said Roosevelt to Perkins. 'He left a whole rigamarole of figures. He must be a mathemetician rather than a political economist.' And Keynes 'cautiously' confessed to Perkins some disillusionment with a man whose operations he had wartched from afar with the greatest admiration. He said, with regret, that he had 'supposed the President was more literate, economically speaking.' "[9]

But if the New Deal was not carefully designed to create the basis of the Great Prosperity between 1945 and 1970, it did manage to jerry build a structure that did precisely that. We know in retrospect that it "synchronized" a blue colar mass production America by means of some very modest benefits for individuals which also functioned to provide stable, guarunteed markets for business. This was celebrated - and excessively celebrated - in the Fifties as the triumph of the "built in stabilizers."

But if, as Hart and Shelp rightly say, we are entering a new economic and social world, then we must also move toward political innovation as substantial and daring in our day as the New Deal was in its time. Even if the recovery since 1983 has been cruelly uneven and even compatible with state and regional recessions, even if the average growth rates under Reagan are less than they were under Carter, there was enough progress to permit the illusion that the "normal" forces of the economy would, with a little judicious encouragement here and there from modest Federal programs, take care of our problems.

But that was, and is, an illusion. The recovery could last for another year - and it would then match the rise under Carter that preceeded the worst recession since the Great Depression. Perhaps it will go on for even longer. But, sooner or later, this nation is going to have to face up to the radical implications of its changing occupational structure and the ways in which that makes an utterly necessary full employment policy all the more difficult to design and implement.

If the political constraints at work in the 100th Congress make it unlikely that there will be dramatic action at least we can begin to attack the intellectual and policy deficit which is at least as serious as the national debt.

II

There is a disturbing tendency in the discussion of "workfare" to develop a new version of the notion that the poor are, as a group, a "dangerous" class.

It would, of course, be stupid in the extreme not to recognize the association of violent crime and poverty (which is one reason why I devoted a good part of a chapter to that subject in my 1984 book, The New American Poverty). This is particularly true since the main victims of, say, the violence of poor blacks are other poor blacks. How one can intrepret those data as showing that the violence is a political protest against racism has always escaped me.

But the danger is that a national workfare policy is being formulated as if the majority of the welfare recipients in the

United States were part of a criminal "underclass". That is not simply untrue - and strangely, a fair number of those who engage in this labeling will admit that it is not true -; it could also lead to a serious error in terms of full employment policy as well as cast unfair suspicion on utterly blameless people.

Take, for instance, Lawrence Mead and his book, Beyond Entitlement: The Social Obligations of Citizenship.[10] I disagree profoundly with Professor Mead, yet it is clear that he is a decent and responsible analyst and I do not want to impugn his motives in any way. From Mead's point of view, there has been a moral and cultural breakdown among the poor and that is why there must be an "authoritative" policy in which welfare recipients are required to "work off" their benefit payments, sometimes, but not usually, with a premium thrown in.[11]

For Mead, "Low wage work apparently must be mandated, just as a draft has been sometimes necessary to staff the military. Authority achieves compliance more efficiently than benefits, at least from society's point of view."[12] But strangely enough - and we will return to the point - Mead also accurately recognizes that Great Society training programs with child care provisions and other assistance did succeed with AFDC mothers, i.e. with the group that constitutes the prime working age population of welfare recipients in the United States.[13] Why is compulsion necessary if a serious opportunity for a job is even more effective?

Now it is indeed true, as Richard P. Nathan pointed out in a recent Wall Street Journal article, that the actual practice of workfare has evolved enormously since the idea first surfaced in Newburgh, New York, as a way to punish the lazy poor. The California GAIN program and Massachusett's ET are light years removed from those earlier versions of the scheme. And yet, Nathan, who approves of that evolution, also comments that " 'Underclass' is a shorthand expression for the concentration of economic and behavioral problems among racial minorities in large cities."[14] Again, I do not think that Nathan intends his formulation to mean that the poor minorities in the cities are all members of the "underclass", yet the formulation can rather easily give rise to that reading.

Another discussion of the issue, "The Work Ethic State" by Mickey Kaus is somewhat more provocative and shrill - and yet it recognizes that the "underclass" is, at most a minority of the poor (25% at the highest) and a small minority of welfare recipients. Even though that admission clearly contradicts the main thrust of the article - that the entire welfare program should be constructed so as to deal with the malingers and "political" protesters who refuse to work - Kaus is quite clear about it.[15]

"The underclass," Kaus writes, "embraces only a minority of the poor. It doesn't even include most who go on welfare." (emphasis added) And, "Various studies have shown that, of all 'underclass' groups, AFDC mothers are the most capable of making the transition to the world of work. (It's the men who are most often unemployable.)" Again why design a program to deal with a non-problem, i.e. that of the unwillingness to work of the AFDC mothers? Since those men don't get welfare anyway, how can they be affected by workfare?

Kaus also raises, and confuses, another very important issue with regard to the underclass: out of wedlock births. (It is the fashion to refer to such births and the offspring they produce as "illegitemate". I find that a disgusting usage and will only employ it when I am directly quoting someone else. One might argue that parents are "illegitemate" but how that term can apply to a baby is beyond me.)

Let me be very careful on this question. I do not want to suggest that there is no problem of out-of-wedlock births among the poor. Of course there is. But I believe that it has been seriously exaggerated, much as the size and character of the underclass has been exaggerated. I should note that, when Daniel Patrick Moynihan published his famous essay on the Negro Family in 1965 and was widely attacked for it, particularly by militant blacks, I defended him, arguing that he had raised a very serious issue. So, it should be remembered, did Martin Luther King, Jr.[16] What disturbs me, then, is not that the issue is being discussed - it was a tragedy that the Moynihan experience made serious debate impossible for years - but that it is being badly disused.

Here again Kaus' contradictions are revealing. He writes - and this is in the spririt of the new stereotype - that "...starting around 1965, the black ['illegitemacy'] rate rose dramtically from the already nigh Moynihan-report level of 25 percent to close to 60 percent today. White illegitimacy rates have been rising too, but the white rate is still only about 13 percent." This accurately describes a common impression, one which was powerfully communicated by Bill Moyers' documentary on CBS last year.

But, strangely enough, Kaus later correctly comments that "the absolute number of illegitimate black births has not been increasing..."

But how can it be that, in one sentence the out-of-wedlock "rate" is rising dramatically but in another sentence the absolute number of such births has not increased? It turns out that a statistical confusion has been responsible for the distortion of the nature of a very real problem.

Ironically, I first became aware of this issue in reading Charles Murray's Losing Ground, a book which I find, in almost every other respect, fatally flawed. Murray did the significant intellectual service of pointing out that the out-of-wedlock numbers often confused two very different trends: the proportion of single women, and particularly of black single women, having babies out of wedlock; out-of-wedlock births as a percentage of total births, again particularly for black women.

Murray noted that "unmarried black women were having babies at a considerly lower rate in 1980 than they were in 1960. Further the birth rate among black single women had fallen almost without a break since its high in 1961."

At the same time, there was a dramatic fall in the number of births per 1000 women aged 15-44 between 1960 and 1980 (118 per 1000 and 68 per 1000 respectively). Therefore a drop in the proportion of black women having children out of wedlock, and in the absolute number of such children, was contemporaenous with a dramatic rise in the number of out-of-wedlock children as a percentage of declining total births. But the latter trend had more to do with the drop in the fertility rate - and the behaviour of married women, among others - than with the conduct of black single women.[17]

As David Ellwood and Lawrence Summers describe the trends, "The birth rate to unmarried black women fell 13 percent between 1970 and 1980, but the birth rate to married black women feel even more - by 38 percent; thus, the fraction of births to unmarried women rose. During the same period the unmarried birth rate to whites rose by 27 percent. It seems difficult to argue that AFDC was a major influence in unmarried births when there was simoultaneously a rise in the birth rate to unmarried whites and a fall in the rate for blacks." [18]

Again, there is no point in countering the exaggerations about the problem of out-of-wedlock births by pretending that the problem itself does not exist. William Julius Wilson and Kathryn Neckerman, for instance, cite data to show that teenage girls from "high risk social environments" are much likelier to become pregnant by eighteen than those from low-risk backgrounds. And those backgrounds themselves are, in some measure, a social product.[19]

Even more to the point, Wilson and Neckerman show that the catastrophic rate of death by homicide and imprisonment for young black men, and the extreme difficulty which they face in the labor market, is a major determinant of this problem.[20]

One last point on this issue which poses another contradiction within the stereotype of the underclass. Richard Freeman and Harry Holzer have produced a fascinating study of the situation of young blacks in the labor market (that it was published in the Public Interest, a neo-conservative journal, makes it even more interesting).[21]

In reviewing the data, Freeman and Holzer find that the "reservation wage" - the level of pay required to motivate a person to take a job - of black youths is about the same as that for white youth. But the black youths have more difficulties in getting a job and since they have the same expectations as white youth, that means they find the labor market more problematic. "The overall picture of the black youth employment situation that emerges from this research effort is one in which black youth clearly want to work, but only at jobs that are comparable to those received by their white counterparts."

And the conclusion of the Freeman-Holzer analysis, which is critically important for the formulation of full employmentt policy is this: "The possibility of a solution to the black youth employment problem rests, in large measure, on the responsiveness of the youths to labor market incentives. Provided with choices other than the ones they currently face, black youths will respond positively."[22] (emphasis added)

In summary, there is a disturbing tendency in the United States today to focus the entire discussion of labor market policy for the poor on an "underclass" to which the majority of the poor, and the overwhelming majority of the welfare recipients, do not belong. This has a tendency to unfairly stereotype all of the poor as criminal, utterly irresponsible, etc. and has probably been one of the main reasons why this society been so completely confused - and wrong - about the problem of out-of-wedlock birth, particularly among minority women. As a consequence, the more stringent versions of workfare - say the compulsory variants urged by Mead and Kaus - are programs designed to deal with a seriously exaggerated problem and, in some moods at least, the proponents seem to know that it is exaggerated.

Some of the moderate and positive versions of workfare - GAIN in California and ET in Massachusetts - have included significant innovations with regard to day care, medical insurance and training. I must say, however, that I profoundly regret that they have been presented under the workfare rubric and, in the case of California, that policy has resorted to compulsion (even if enlightened compulsion).

The fact is, as the full employment of World War II demonstrated, that a situation in which employers are seeking employees, rather than the other way around, will probably do more to solve social, as well as economic, problems in the United States than anything else - and without "drafting" people to work. Will criminality, family breakdown and out-of-wedlock birth then magically cease when the jobless rate falls? Of course not. There will be social problems aplenty even under such circumstances, but they will be radically reduced in number and posed under political conditions in which action will be possible.

But how, then, is this blessed state of full employment to be achieved?

III

There is no "the" answer to the problem of unemployment or if there is one, I don't know what it is.

I do, however, have some ideas in this area and I will sketch just a few of them here. I have been a bit more detailed in my book, The Next Left, which will be published next month.

Let me say at the outset that in considering these matters I have not placed myself under the political constraints that must operate upon the members of the United States Senate. Alas, I am not a Senator. More to the point, my function in this society is not that of making compromises, however necessary they might be, but in trying to point the way to goals that lie in the middle distance, goals that electoral politicians must regard as problematic.

In my brief stint with the task force which came up with some of the initial ideas for the War On Poverty in 1964, I suggested to Sargent Shriver that he should create an Office of Visionary Analysis as part of the program. Hire a couple of thinkers, I argued, give them some clerical support, and tell them to describe what should be done to abolish poverty in the United States. Not what can be done under the political limits of this time and place. What should be done.

The idea didn't fly but I will follow it in these final comments. But I should warn the Committee that I think that my proposals are not so futuristic as they might seem. If I am right and the American economy, far from being robust and restructured, is booby trapped by business, personal and foreign debt, by wage levels which cannot truly support our productive potential, and many other potential crises, then perhaps all of us will have to become a bit more visionary sooner than we might think.

Within this context, let me suggest a few ideas.

We meet just two days before the actual anniversary of the birth of Martin Luther King, Jr., one of the greatest Americans of all time. In the last years of his life, Dr. King was campaigning vigorously for an Economic and Social Bill of Rights, an idea which had roots in the New Deal and was even proposed in the original draft of the Employment Act of 1946. One of those rights was the right to a job. It should be made real.

Ironically, even some of the advocates of compulsory workfare at less than prevailing wages, like Mickey Kaus, accept the need for a national guaruntee - Kaus would say, requirement - of work for all. But I am much more impressed by the suggestions made by Senator Paul Simon in Let's Put America Back to Work.[23] I have differences with Senator Simon on significant details, but his central insight - that there is an enormous ammount of useful work which can be done in both the private and public sectors and which could provide employment for all Americans - is fundamentally sound.

Senator Simon proposes that everyone be guarunteed thirty two hours of work at the minimum wage - and rightly notes that the minimum wage today is, in real terms, at one of its lowest points in history. I would like to borrow another concept in this area from Professor Hyman Minsky of Washington University in St. Louis. If we did provide a guarunteed job at a living wage - which is more than the minimum wage today, of course - we could then stop enforcing the minimum wage law (which for bad reasons we have almost done any way) since it would now enforce itself. That is, if every worker could get a guarunteed job at, say, $6 an hour, no one would work for less than $6 and that would become a self-enforcing minimum wage.

Senator Simon has many interesting things to say about how such a commitment could be financed. I would stress two points in this regard. First, unemployment itself is extremely expensive: a one percent increase in the jobless rate costs, in terms of lost revenue and new obligations, more than $30 billion a year (that is the Administration's - low - figure). And that is so even though it is scandalously true that, during the 1982-3 recession, the majority of the unemployed did not get unemployment benefits.

Secondly, we now know in grueseome detail that the social costs of unemployment - alcoholism, spouse abuse, child abuse, crime - are high. And we now understand, from research by people like Wilson, Neckerman, Freeman and Holzer, that a guarunteed job program is likely to create the possibility of much more stable family relationships among the poor, which is a critical good, and that this situation will also probably reduce the expenditures for AFDC and similar programs.

However, I must most emphatically add a comment about the problem of the bird in the hand and the birds in the bush. The ideal would be a society in which there is meaninfgul work for all at levels of pay - and unionization - which would permit individuals and families to take care of themselves. In terms of family policy that would also mean that consideration should be given to the fact that most mothers who work in the paid labor market also have a second, unpaid job at home. We should thus discuss parent leave for men as well as for women, an expanded child care program, and the like, as part of a comprehensive labor market policy geared to real equality for women.

But in the interim - and no one knows how long the interim will be since it is now 18 years since this country even approached what might be called full employment - there must be adequate funding for those who, because of our own social and economic failure, cannot support themselves adequately. That, of course, is another topic in its own right and I would simply advocate the restoration of all of the 1981-2 Administration cuts which struck a blow primarily at the working poor; urgent discussion of a long overdue move to Federalize AFDC (and not to deFederalize food stamps, as the Administration has urged); and measures to restore entitlement benefits to their real levels of 1969.

The fact is, and it contradicts all of the theories that hold that welfare has been a major cause of unemployment in the last decade and a half, that the real value of welfare has been declining for almost two decades. I am therefore very much in sympathy with the Massachusetts' Campaign for Human Needs and its attempts to get minimally decent levels of funding in this area.

Secondly, the current crisis of American society relates, in part, to our productivity. That is, when the producitivity of our smokestack economy was growing year by year, that enabled the economy to support higher profits, higher wages and higher social benefits at the same time. And part of our problem since around 1970 has been that the shift to services has seen a decline in productivity.

We know from contemporary experience that worker buy outs and worker participation in management have had a positive impact upon productivity. There are, for instance, data from a Philadelphia supermarket which became a worker coop showing that this can be true in the service sector. But, as I document in The Next Left, the existing laws on Employee Stock Ownership Plans (ESOPs) more often that not offer sham participation to workers and very real benefits to management. I believe that it was Business Week which quite accurately said that ESOPs should be called MESOPs: Management Enrichment Stock Ownership Plans.

Since I believe that the democratization of the economy in general is a key to coping with the new structures of American production, I would suggest, as a very modest first step, that revision of the ESOP laws be placed upon the agenda and that the

Congress take a careful look at the larger implications and potential of cooperative ownership.

Finally, I believe that it is time to reconsider, not simply the working week, but the working life. The forty hour pattern was established in 1938 - and grew out agitation by the National Labor Union in 1866 and the American Federation of Labor in 1886. But as we now approach the fiftieth anniversary of the eight hour day, there is hardly any discussion of dealing with the problem of unemployment and dramatically increasing the quality of American life by moving to the thirty five, or thirty, hour week without a reduction in pay.

I am perfectly well aware of the fact that a sudden increase in the wage bill of American business of one fourth, or even one eighth, would be economically disasterous. The measure clearly cannot be mandated simply through the wage system. But a combination of collective bargaining and tax policy could move us rapidly toward a shorter week and open up possibilities for individuals to reorganize their working lives.

These ideas are now widespread, and even consensual, in the European labor movement. In 1886, the AFL initiated an international movement which began in this country - and led to the creation of May Day as a holiday, an American innovation which predated the Russian Revolution by more than three decades - and then spread throughout the world. Now we lag behind in the consideration of this very important means to full employment.

Clearly, I have only scratched the surface in this testimony. But I hope I have at least emphasized the urgent necessity for new departures which will be as daring in our day as Roosevelt's reforms were in the Thirties; that the discussion of workfare and the underclass has been often misleading and even dangerous; and that guraunteed work, genuine worker participation in management decision-making and a shorter working week and life are means toward the critically important end of full employment.

1. "The Great American Job Machine: The Proliferation of Low Wage Employment in the U.S. Economy," by Barry Bluestone and Bennet Harrison. Joint Economic Committee, December, 1986. p 23, Table 3

2."Understanding a New Economy" by Ronald K. Shelp and Gar W. Hart, The Wall Street Journal, December 23, 1986.

3. "Occupational Employment Projections through 1995," by Ceorge T. Silvestri, John M. Lukasiewicz and Marcus E. Einstein, in Employment Projections for 1995, U.S. Department of Labor, BLS, March 1984, Bulletin 2197.

4. U.S. Industrial Competitiveness: Perception and Reality, New York Stock Exchange, Office of Economic Research, August, 1984

5.Bluestone and Harrison, op cit, p 5

6. "Are We Two Nations? The perils of a Dual Economy" by Mark Levinson and Michael Harrington, Dissent, Fall 1985. cf. pp 420-421 on Rosenthal.

7.Business Week, December 15, 1986.

8.Wall Street Journal, December 4, 1986.

9. FDR: The New Deal Years, 1933-1937, by Kenneth S. Davis Randon House, 1986. p 320.

10.Beyond Entitlement: The Social Obligations of Citizenship, by Lawrence M. Mead, Free Press, New York, 1986.

11.Ibid., p 124

12.Ibid., p 84

13.Ibid., p 50

14."Liberals + Conservatives = Workfare" by Richard P. Nathan, Wall Street Journal, October 16, 1986.

15."The Work Ethic State" by Mickey Kaus, The New Repbulic, July 7, 1986.

16.On my role, and more important, on Dr. King's, see The Moynihan Report and the Politics of Contraversy, by Lee Rainwater and William L. Yancey, MIT Press, 1967. On Dr. King, cf. Bearing the Cross by David J. Garrow, Morrow, 1986, pp 598-9 amd p 718, n 27.

17.Losing Ground, by Charles Murray, Basic Books, 1984, pp 125-6. For one of the clearest statements of the issue, see "Poverty and Family Structure" by William Julius Wilson and Kathryn M. Neckerman, in Fighting Poverty, Sheldon Danziger and Daniel H. Weinberg, eds., Harvard University Press, 1986, pp 235-237

18."poverty in America: Is Welfare the Answer or the Problem?" by David T. Ellwood and Lawrence H. Summers, in Fighting Poverty, op cit supra, p 94

19.Wilson and Neckerman, op cit supra, p 244.

20.Ibid., p 253

21. "Young Blacks and Jobs - What We Now Know", by Richard B. Freeman and Harry J. Holzer, The Public Interest, Number 78, Winter 1985.

22.Ibid., pp 20-21

23.Let's Put America Back to Work, by Senator Paul Simon. Bonus Books, 1987.

The CHAIRMAN. Ms. Nussbaum?

Ms. NUSSBAUM. Good morning and thank you, Senator Kennedy. I am here representing 9 to 5, the National Association of Working Women, and the Service Employees International Union.

My organizations represent, among others, low-wage women in the largest sector of the workforce—clerical work. The typical worker in America is no longer the man in the hard hat; it is a woman at a typewriter, or more accurately, at a keyboard. And her conditions of work set the stage for the new American workforce.

Work in America is in an upheaval, and one major consequence is the push of American workers to the margins of the workforce, where work is characterized by low pay and the need for two-wage families. and the loss of job security and benefits. The outcome: a more marginal workforce which threatens the stability of American families and the economy as a whole.

To illustrate my case, I will look at the phenomenal growth of part-time and temporary work. The message is that marginal work is growing, women dominate the marginal workforce, and the employment standards are both unacceptable and counterproductive.

Marginal work is growing, and it is at the expense of full-time jobs. Nearly one-quarter of all jobs created during the Reagan years were part-time, and they are growing faster than full-time jobs.

By the same token, temporary work is the third fastest growing industry at a rate of 20 percent a year since 1970.

The hiring of marginal workers is often a deliberate management strategy to replace the full-time workforce. For example, the Federal Executive Branch has 300,000 temporary workers on its payroll who can work for up to four years with no job security and no benefits—and that is from a previous limit of one year—a change that was made explicitly to lower costs.

When Blue Cross in Boston moved to the suburbs, they offered to rehire their full-time, 37½-hour-a-week clericals, as 30-hour-a-week part-timers, with no benefits including, ironically, no health insurance.

Some managers exploit part-time and temporary workers as a strategy to avoid unionization. At the Wisconsin Physicians' Service, nearly 200 part-time and temporary clerical workers were hired to undercut the bargaining power of organized full-time employees, according to a company representative.

Women workers dominate the marginal workforce. Two thirds of part-time and temporary workers are women, and most minimum wage workers are women. Despite a phenomenal increase in the number of working mothers in the last ten years, American family income has declined so that soon, we may see two-wage families earning less on the whole than one-wage families of the recent past.

There are more statistics to prove the case that women want full-time work; that they are moonlighting more, working two or more jobs, and many are forced into marginal work for lack of childcare. And the statistics will show that part-time and temporary work pays less than already inadequate full-time pay levels for service workers, that most marginal workers have no health care, and few are even covered by pensions, much less receive them.

But statistics are only facts with the tears wiped off. Let me give you some examples of life for some low-wage women.

A clerical at the John Hancock Company in Boston lost custody of her child when the judge ruled that her full-time pay was inadequate for support.

A Syracuse University secretary who was a single mother had to have one of her children move out to live with another family in her church because she simply could not afford to raise both children at home.

And a bank teller in Milwaukee earned $4 an hour after six years at the bank—and she supported her four children on that pay. She managed somehow, until the bank decided to stop paying for family health coverage. It would have cost her a week's salary to pay for the health coverage herself. Rosa, the bank teller, had the wherewithal to fight back, and with the help of 9 to 5, got management to back down. But few marginal workers do have any representation-and most are at the mercy of misguided employers who think that lowering the standard of living will raise productivity.

A strong America will be based on a strong workforce. We need to rebuild a stable middle-class, not create a workforce that is plagued by low pay, unprotected by benefits and subject to dislocation.

We recommend the government take action in the following areas as a beginning. First, the minimum wage must go up. If we had raised the minimum wage along with the cost of living, it would be at $4.60 today. If that sounds high, keep in mind that $8.50 an hour would be required to allow a family of four—smaller than Rosa's family—to exist within the government's low-income budget—and this is a budget with no frills.

Employers should be offering a health care package, and public policymakers should be crafting a way to either help workers buy this package or cover them by means of public health policy.

Pensions need to be portable. But let us remember that most service jobs do not provide pension benefits at all. We need a realistic pension program that adds up to a livable retirement.

Policymakers must acknowledge that women work and often have families. We need to adopt policies such as the Family and Medical Leave Act, and daycare and after-school programs must be both available and affordable.

And finally, the strategy to achieve higher productivity through creating low-wage, interchangeable jobs will fail. What this country needs is a commitment to training that lasts a lifetime. Without it, we are doomed to create a new generation of dislocated workers, creating further turbulence in the economy and trauma for working families.

This is a new era and a new workforce, which demand new policies, and we look to you to lead the way.

Thank you.

The CHAIRMAN. Thank you very much.

[The prepared statement of Ms. Nussbaum follows:]

9 to 5 NATIONAL ASSOCIATION OF Working Women

NATIONAL OFFICE
[illegible]

TESTIMONY OF

9 to 5, NATIONAL ASSOCIATION OF WORKING WOMEN AND

SERVICE EMPLOYEES INTERNATIONAL UNION, AFL-CIO, CLC

BEFORE

THE HONORABLE EDWARD M. KENNEDY
CHAIR

COMMITTEE ON LABOR & HUMAN RESOURCES
U.S. SENATE

January 13, 1987

"National Goals: Employment"

SUBMITTED BY:

Karen Nussbaum

Executive Director, 9 to 5, National Association of Working Women
President, District 925, Service Employees International Union, AFL-CIO

Good morning. I'd like to thank Senator Kennedy and the Committee on Labor and Human Resources for inviting me to speak today. My name is Karen Nussbaum. I am the Executive Director of 9 to 5, National Association of Working Women, and President of District 925, Service Employees International Union.

My organizations represent among others, low-wage women in the largest and fastest growing sector of the workforce -- clerical work. The typical worker in America is no longer a man in a hardhat -- it is a woman at a typewriter, or more accurately, a keyboard. And her conditions of work set the stage for the new American workforce.

Work in America is in an upheaval. A pattern of work that is nearly a century old is changing in the pace of a few decades.

One major consequence is the push of American workers to the margins of the workforce, where work is characterized by lower pay and the need for two-wage families, and the elimination of job security, and health and welfare benefits.

The outcome: a more marginal workforce, which threatens the stability of American families and the economy as a whole.

In our recent report, WORKING AT THE MARGINS: PART-TIME AND TEMPORARY WORKERS IN THE UNITED STATES, 9 to 5, National Association of Working Women found statistics that speak loudly and clearly about the trend, and who suffers the most — low income working women.

My testimony today will focus on the effects of the marginalization of work on women. To illustrate my case I'll look at the phenomenal growth of part-time and temporary work.

I will make three points: marginal work is growing; women dominate the marginal workforce; and the employment standards are unacceptable.

Marginal Work is Growing

Marginal work is growing -- and it is at the expense of full-time jobs.

Nearly a quarter of all jobs created during the Reagan years were part-time. (Today, 22% of employed people work part-time).

Since 1968, part-time jobs in the U.S. have grown faster than full-time jobs -- and many people hold part-time jobs involuntarily. One-quarter of part-time employees would rather work full-time (5.6 million out of 20.5 million).

And astonishingly, between 1979 and 1985, the involuntary part-time workforce has increased 60%, from 3.5 million to 5.6 million, while the number of voluntary part-time workers has grown by only 6.5%.

By the same token, temporary work is the fastest growing industry, increasing more than 19% a year since 1970. Five million people worked at temporary jobs in 1985.

In some cases, the hiring of marginal workers is a deliberate management strategy to replace the full-time workforce.

For example, the federal executive branch has 300,000 temporary workers on its payroll who can now work up to four years without benefits or job security because of changes in federal employment policy made in January 1985. The previous limit was one year.

And seventy-five percent of the order takers at Best Products Company are now part-time — up from 60% in 1983.

Some managers exploit part-time and temporary workers as a strategy to avoid unionization.

At the Wisconsin Physician's Service (WPS), nearly 200 part-time and temporary clerical workers were hired to undercut the bargaining power of full-time employees, according to one labor representative. Part-time and temporary workers at WPS are not covered by the union contract. They receive lower hourly wages than unionized full-time employees and no benefits.

Women Dominate the Marginal Workforce

Women workers already dominate the marginal workforce. Sixty percent of minimum wage workers are women. Two-thirds of part-time and temporary workers are female, working mostly as clericals, salesworkers, and lower-paid service workers.

Despite a phenomenal 40% increase in the number of working mothers since 1973, American family income has declined by 6.2%.

Over half (54%) of all mothers with children under six years are now in the labor force. Yet, in two-parent households, they are not earning enough to make up the difference between their husband's lower earnings and high cost of living.

And of the more than ten million women who head American families, nearly half who worked part-time in 1983 said they would rather work full-time. (Sixty percent of today's involuntary part-time workers are female).

There is a myth that marginal work provides flexibility to the growing number of women workers trying to work and raise children.

The reality is that many women find it the best of poor choices.

More women are moonlighting. One-third of moonlighters are women, up from 16% in 1970.

(Women who must work more than one job out of economic need — often working two part-time jobs — have increased 73% since 1970, from 2.2% in 1970 to 3.8% (1.9 million women) in 1980).

Nearly 35% of women who are working part-time or looking for work say they would work more hours if good child care were available.

Part-time and temporary jobs are not solutions for working mothers who are unable to find or can't afford adequate child care. With child care costs averaging $3,000 a year per child, and with licensed day care available for only a quarter of the 24 million children 13 years and under whose mothers work, working mothers must struggle with individual solutions to a nationwide problem.

Marginal Work Standards are Unacceptable

Marginal jobs mean fewer full-time job opportunities, lower wages, shrinking benefits, and reduced career opportunities.

Part-time and temporary work pays less per hour than full-time jobs with the same content, and provides fewer or no benefits. For example, 28% of all part-time jobs pay the minimum wage, compared to only 5% for all full-time jobs.

Eighty-four percent of all part-time workers have no health care coverage available to them through their employers. And few temporary workers have access to health care coverage.

Only 27.5 % of part-time workers employed less than 20 hours a week are covered by pension plans. And many part-time and temporary workers never work enough hours to qualify for unemployment insurance benefits.

Recommendations

A strong America will be based on a strong workforce. We need to rebuild a stable middle class -- not create a workforce plagued by low pay, unprotected by benefits, and subject to dislocation.

9 to 5 and SEIU recommend the government take action in the following areas as a beginning:

1. Minimum Wage

The minimum wage must go up. If we had raised the minimum wage along with the cost of living, instead of freezing it in 1981, it would be at $4.60 today. If that sounds high, keep in mind that $8.50 would be required to allow a family of four to exist within the BLS low-income budget for an urban family -- and this is a budget with no frills. Five dollars an hour would be needed to bring a family of four up to the poverty level. So the proposal to raise the minimum wage $1.25 would have a family of four still living in poverty.

2. Benefits

Access to health care is a severe problem. We have set up a welfare system that will not let low-income working people in -- yet they do not have the money to buy health insurance even if it were available. Employers should be offering a health care package and public policy makers should be crafting a way to either help workers buy this package, or cover them by means of public health policy.

Some progress on pensions has been made with the recent reduction of vesting requirements from 10 years to 5 years. The next step has to be making pensions portable -- credits for pension should be able to be taken from employer to employer. Though these reforms are important, we have to keep in mind that most service jobs do not provide pension benefits at all. We need realistic pensions that can actually add up to a livable retirement for most working people.

3. Working Family

Policy makers must acknowledge that women work, and workers often have families. The United States is the most backward of all industrialized nations when it comes to policies for the working family. At a minimum, we need to adopt policies such as the Family and Medical Leave Act, which would provide unpaid leave time for workers with family obligations to both children and elderly parents. And day care and after-school programs must be made both available and affordable.

4. Training

Changing demographics, automation, the shift to the service sector, and international competition have thrown the workforce into upheaval. The strategy to achieve higher productivity through creating low-wage, interchangeable jobs with no future will fail. What this country needs is a commitment to training that lasts a lifetime. Without it, we are doomed to create a new generation of dislocated workers, creating further turbulence in the economy and trauma for working families.

This is a new era and new workforce which demand new policies. 9 to 5 and SEIU look forward to working with our nation's leaders to create policies to meet the challenge.

Thank you.

The CHAIRMAN. Before getting into the questions, Professor Bluestone, I had the good fortune, opportunity, privilege, to address University of Massachusetts-Boston a number of years ago at the graduation. And as I remember—and I wish you would correct me—I think the average age of the graduate was 26 or 27. About 80 to 85 percent of the parents of those students did not go to school, and about 80 percent of them were working 20 to 25 hours a week or more while they were going to school. I was enormously moved and impressed by it, and of course, it underlined the importance of maintaining both the tuition at a modest level, and also the importance of the various student aid programs at a current level.

Is the profile approximately the same now?

Professor BLUESTONE. Senator, I believe it is. I have to admit that I am fairly new to the University of Massachusetts, having come from Boston College quite recently. But my understanding from the Chancellor of the University, Mr. Corrigan, is that that profile is generally correct. The University of Massachusetts at Boston is in the process of creating what might be considered a land grant university of the highest quality to serve the population in Boston.

I should add that we are also developing new graduate programs that will expand the city's training and education to take advantage of some of the good jobs that are being created.

The CHAIRMAN. Well, that is a little diversion, but I was enormously impressed by the commitment of those students to education.

Professor BLUESTONE. I am, too.

The CHAIRMAN. I would be interested in both Professor Bluestone and Professor Harrington's comments on this, and then I have a different question for Ms. Nussbaum. Having identified what the trend lines are in terms of the current job availabilities, and having at least seen the studies which would indicate that future jobs are going to fall within these same kinds of parameters, 60 to 65 percent of those who are at or below the poverty level, what can you tell us about the future? Is there any mechanism built into the economy at the present time that is going to alter and change that in terms of future employment opportunities for young people, or older people or middle-aged people who might have lost their jobs?

Is this going to be self-correcting, or will we go through this valley and then see a change or a turnaround, where there will be middle-wage jobs available again; or is it your judgment and your conclusion that there are not self-correcting forces available within the economy and that more aggressive steps are going to have to be taken to try and see a restoration of what are basically middle-wage jobs in our economy again?

I would ask Professor Bluestone and then Professor Harrington to address that.

Professor BLUESTONE. Senator, I think that if you want to really understand the causes of the changes in our job structure, you have to realize that the key difference between the early period and the later period is the "globalization" of our economy.

If you go back to 1929, and you ask the question what proportion of our economy was made up of imports, it was about 5.6 percent. That same import share prevailed in 1970.

But in the period between 1970 and 1980, imports doubled, and they have been, of course, growing rapidly ever since, particularly in the manufacturing sector. Those are trends that are not going to be rapidly reversed, and yet it is precisely those trends that have changed the job picture in the economy. Management has responded to the globalization in the form of out-sourcing, multinational investment, two-tier wages, and by creating temporary jobs that pay few benefits where they once had full-time jobs that paid full benefits.

What I see is a continuation of these trends unless there is intervention, intervention both within government and within the private sector.

One of the things that we do find is that in a full employment economy, one in which we make the commitment to moving toward a 4 percent unemployment rate and struggle to meet that goal, there is an increase in the number of better jobs and lower lower-wage ones.

Our experience in the State of Massachusetts points to this conclusion. With a 3.3 percent unemployment rate in December, and 3.6 percent over all of 1986, we are finding that even the lowest-wage employers are now pushing wages up to $4.50 to $5 an hour, at McDonald's, at Burger King, and those are entry-level jobs for young people.

So a full employment economy is necessary to rebuild middle-income jobs.

Number two, the middle-income jobs that we are losing are overwhelmingly union jobs. The union movement in this country from the 1930s on built union-wage standard jobs which forced employers to increase productivity in order to pay wages and fringe benefits. In developing a low-wage economy, we are eliminating some of the pressure on management to develop new processes, new products, and so forth.

And of course, we need closer working relationships between labor and management to meet the international challenge.

Finally, what we need to do, of course, is rebuild the American economy. An American economy without a strong manufacturing sector, an American economy without a strong construction sector, an American economy that is falling behind in research and development, behind in technology, behind in innovation cannot maintain a high standard of living.

We already see that in the existing trends, and without a change to build a world-class economy once again, we will see those trends continue.

The CHAIRMAN. Professor Harrington?

Professor HARRINGTON. I agree very much with what Barry Bluestone just said. Let me just add a couple of thoughts.

One is that Lester Thoreau has documented that one of the reasons why we created so many poorly paid jobs in the 1970s and 1980s is because labor was so cheap. And I think we have to understand that that trend, the low-wage trend, is not simply a bad trend for the workers involved, that it helps them shape the whole occupational structure.

Business Week had a marvelous article a couple of years ago, saying it was providential that so many women entered the workforce at the precise moment that business wanted all of these cheap, non-union workers.

My point would be if you had a minimum wage that was all the way up to the 1978 level, that I think would also have a very positive effect on the kind of jobs that were generated.

There is a sense that as part of a full employment policy, I would welcome the fact that the minimum wage would cause employers not to create certain kinds of low-wage jobs if we are creating better jobs.

One last point—and the first aspect of it is uncharacteristic, so let me start there. I believe there has to be intervention, but I believe a lot of this job growth has to come in the private sector. And since this is not totally characteristic for me, I should say I am for enormously rewarding corporations which actually create good jobs. I would like to take all subsidies away from corporations except a tremendous subsidy if they actually created a job. If a corporation would come into the South Bronx and create jobs, I am for being more generous to that corporation than Milton Friedman would be, but only if it creates the jobs there.

Secondly, I do think—and certainly not because I believe that the public sector is the answer to every problem that there is so much work that needs to be done in the puplic sector of the United States that that, too, has to be one of the sources of Federal intervention locally planned, locally worked through, but a public sector increase, too. But I would really stress it.

The last word—the minimum wage, I think, has a very positive role to play.

The Chairman. Ms. Nussbaum, I want to ask you about part-time work and daycare. What are you finding in terms of the desire of those who come into the job market for part-time work? We have heard the results of studies that indicate that those people would want to have full-time employment if they could. I am interested in your reaction to that. And what kind of role does daycare or lack of it play in terms of quality employment, I suppose, for women and for men, but primarily for women?

Ms. Nussbaum. Women are forced into marginal jobs, mostly part-time, and to some degree temporary jobs, because they do not have ~~better~~ choices. There are no licensed daycare facilities for 75 percent of children. So that women have to find hit-or-miss kinds of solutions to what is a social problem.

The Chairman. Let me understand. Do you mean 75 percent of those that are getting some kind of daycare are non-licensed, or just 75 percent are not getting anything?

Ms. Nussbaum. No. Only 25 percent of working mothers' children are in licensed daycare facilities. Many stay with relatives. Many come home after school to be by themselves, or they sit at the library for three hours—those kinds of solutions rather than a reasonable public solution that would provide opportunities for women to work full-time. And many of those women work part-time so they can then care for their children.

Banks now have what they call "mothers' hours", which is a terrible misnomer, but it is a way to make it seem like it is a benefit to pay women less for working part-time. You come and work at the bank part-time so that you can stay home late with your children and go home early. And you get the privilege of having no benefits and making less than you would perhaps if you were able to work full-time.

Thirty-five percent of women who do work part-time, working mothers, say that they would rather work full-time if they had childcare available. And many of those mothers are now working extraordinary hours, out of the home, during the middle of the day, while their children are at school, being at home when their children come home from school, and then working jobs at home in the evening hours, often until as late as midnight, or two o'clock in the morning.

I think it is a terrible situation and one that is forced on many working mothers.

Let me also say, though, there is a need for part-time work; there is a desire for part-time work; there is a desire for temporary work. But that has been more than fulfilled. And now what we are finding is that the growth of part-time and temporary work is eroding full-time work opportunities, taking away those opportunities from people who would rather be working full-time.

The CHAIRMAN. Thank you.

Senator Humphrey?

Senator HUMPHREY. Thank you, Mr. Chairman.

One of the intriguing proposals raised by Mr. Harrington is a 30- to 35-hour work week. Would you extend that to the Congress? [Laughter.]

Professor HARRINGTON. Oh, no. You and I have movement jobs, and we have to work longer hours—for the joy of it.

Senator HUMPHREY. Yes, for the joy of it.

You avow yourself to be a socialist, do you not?

Professor HARRINGTON. Yes.

Senator HUMPHREY. And I seem to remember some political connection. Are you the director of some socialist party or something?

Professor HARRINGTON. No. I am Co-Chair of Democratic Socialists of America, which is a member of the Socialist International, presided over by Willy Brandt, which includes three or four parties whose leaders are prime ministers of NATO countries, among others.

Senator HUMPHREY. May I say, Mr. Chairman, that I think it is a commendable idea to have hearings on national goals. It is a good idea, but the execution, at least in this case, leaves a little something to be desired by this Senator.

I note that among those who are representatives of the private sector or from the private sector, there is a decidedly leftist cast to the cast of characters. I say that without any personal animus toward them or to the Chairman, but I regret that there is no one who might be styled a mainstream economist here.

Professor BLUESTONE. I have been accused of that. [Laughter.]

Senator HUMPHREY. We have had someone from the AFL-CIO, and they are certainly not to the right of center. The Catholic Conference of Bishops, on economic matters, according to many Catholics, are a little bit, at least somewhat to the left of center—although I am proud, may I say, to embrace some other undertakings of the Conference. I try to provide some leadership on the Right to Life issue, so I am not always opposing the view of the Conference on Bishops. But nonetheless I think in economic matters, their recent proposal is somewhat to the left of center.

Certainly, Dr. Harrington will not deny it, I hope.

Professor HARRINGTON. No way.

Senator HUMPHREY. Even on Capitol Hill, where everything is upside-down.

I would just make that observation and express my regret, Mr. Chairman. It sticks out like a sore thumb, and really, I would hope to see greater equity in the selection of witnesses.

The CHAIRMAN. Well, the complaint of the Senator from New Hampshire is with his Ranking Minority Member, because he was given the opportunity to include what witnesses he would so desire, and he rejected it. So those comments ought to be directed towards your Ranking Minority and not to the Chair. He was given that opportunity four weeks ago.

Senator HUMPHREY. Well, I will certainly direct that, but I continue to direct it at the Chairman who has a responsibility, it seems to me, notwithstanding who might or might not be the Ranking Member, to ensure fairness and equity in selection of witnesses and in the presentation of testimony—no personal animus towards anybody, I assure you.

The CHAIRMAN. Well, we thought that the Administration, Mr. Reagan's Secretary of Labor, would be able to present a viewpoint in terms of the Administration. We are not interested in trying to give a litmus test, nor will we. That, in the words of a former Chairman, was decided in the last election here in the Senate. We are not going to give litmus tests on political ideology. What we are interested in is the substance of opinion and to the extent that there are other ideas, suggestions and recommendations. We are open-minded, and we are willing to entertain those kinds of comments, and that will be the guiding factor.

But I would direct your observations towards your Ranking Minority. We have a full program. We have a full set of hearings all of this week, all of next week. As much as I would like to hold the hand of every member of this Committee, we have got business to do, we are going to do it. If you have particular requests, we will ask you—the way we have conducted business in this Committee in the past since I have been on it is to counsel with our representatives, our Ranking Minority or the Chair, and we will accommodate those interests the best we can.

If you want to continue this, I would be glad to, but I do not think we want to entrench on the witnesses' time while we engage in this kind of exchange.

Senator HUMPHREY. I do have a few questions for Mr. Harrington. I stand firm in my statement, Mr. Chairman. I do believe the chairman of any committee has the responsibility to secure a broad cross-section of opinion, and I think the Chairman has not in this case, and really has no excuse.

Mr. Harrington, I understand—I confess I have not read your testimony, but my staff have—I understand that one of your proposals is, as I stated earlier, a 30- to 35-hour work week, in which I join you in support, except I do not see quite how you can do it. Do you anticipate proportionately reducing salaries and wages to accommodate that kind of work week?

Professor HARRINGTON. Senator, I do not know the details. What I am advocating is that it be very carefully examined.

What I have thought of, and what I indicated, perhaps too quickly in my oral testimony, but it is in the written testimony, is that obviously, if you tried to go rapidly from 40 hours of pay for 40 hours of work to 40 hours of pay for 35 hours of work, you would wreck the system. That is clear. You cannot increase the wage cost of American business by a percentage like that, rapidly, without some very bad economic consequences.

However, I think what we should explore is, let us say, a combination of tax policy and wage policy and collective bargaining, toward a national goal of a 35- or 32-hour week. What the details would be, I do not know. I happen to believe that the middle of American society is overtaxed, and one of the ways I think we might consider to have more tax justice is by linking that to the goal of a 35-, 32- or 30-hour week.

Senator HUMPHREY. Well, you are aware of the competitive problems we have, particularly in smokestack industries. You would not want to worsen that situation through your proposal.

Professor HARRINGTON. No. But I find that in Europe practically all of the unions and many of the political parties are in favor of this kind of a move. And that is why I say it is not something that can be done tomorrow morning. But I think we might even look to having international leadership in trying to secure this benefit not only for American workers, but for European, Japanese, all kinds of workers. As a matter of fact, part of the answer to our international problem, it seems to me, is for the United States to put itself very much in favor of international labor standards for everybody.

So, yes, I think there is a problem, but I think there are ways to deal with it, and since I am not proposing it for tomorrow morning, I think we should explore it, because I think the benefits are enormous.

Senator HUMPHREY. Well, with higher productivity, we could certainly do that. We would have to address the productivity issue.

You seem to be enamored of the government intervention in Europe in the economy. Am I correct in that analysis, or is my staff?

Professor HARRINGTON. I would not choose the word "enamored."

Senator HUMPHREY. Do you advocate further American government intervention in our economy?

Professor HARRINGTON. Sure. However, what I would like to emphasize, and have done in a whole series of books and not simply in my testimony here, is that I think the old model of centrally-planned economies, nationalization from the center, et cetera, is a terrible model. I know of no one in the European left of any consequence who wants to follow that model.

Senator HUMPHREY. Wasn't that Humphrey-Hawkins?

Professor HARRINGTON. I was very much associated with Humphrey-Hawkins; I wish the original bill had been passed. But what I have been talking about all along is decentralization.

Senator HUMPHREY. Good.

Professor HARRINGTON. For example, if I might shock you, maybe——

Senator HUMPHREY. Go ahead.

Professor HARRINGTON [continuing]. I have for a long time advocated that there be public moneys for groups at the base to hire their own experts to fight the government experts; I think in an information economy where expertise becomes very important, you have to democratize information as well as money. I am for democratizing both. So if you ask am I for government intervention, yes. Am I for any kind of sort of centralist notion or plan, absolutely not. And the American people do not know it, but neither, in my opinion are my friends in Sweden or my friends in Spain or in Norway, or in a good many European countries where friends of mine are in political power.

Senator HUMPHREY. What is the difference between the increased government intervention, which you advocate, but the increased centralization, which you oppose? It seems to me you are contradicting yourself.

Professor HARRINGTON. No. I do not think that the government has to be a "them," particularly if we try to democratize political structures. One of the things that bothers me about this country are the expensive elections, the role of money in elections, et cetera. And my point is precisely that I want the rank-and-file to participate, but I have to frankly tell you that given the power, occupational and income structures of this society, they are not biased towards the participation of the people at the bottom.

And therefore, ironically, I think it might take government intervention in order to allow genuine popular participation. I am certainly for that participation; that is my key goal.

Senator HUMPHREY. So you are saying that when you advocate a greater intervention on the part of the government, what you are saying is you want to see the government enable the private sector to——

Professor HARRINGTON. May I give you a very concrete example?

Senator HUMPHREY. Yes, because I do not understand. I still do not understand.

Professor HARRINGTON. I have a new book coming out which goes into this.

Senator HUMPHREY. You do oppose government central planning?

Professor HARRINGTON. Sure. I should tell you, I do not care where it is, there is no democratic socialist of any seriousness in the world who does not.

Senator HUMPHREY. Good.

Professor HARRINGTON. I am glad you have learned, or excuse me—I am glad you agree.

Senator HUMPHREY. Well, then——

The CHAIRMAN. Can he finish the question?

Professor HARRINGTON. Let me just give you a very concrete example which was done under the Carter Administration—not, in my opinion, a terribly left wing administration. In the OSHA Program, rather than appointing government inspectors to investigate violations of occupational safety and health, government money was made available to local unions in order to train their own inspectors on the spot. That, to my mind, is an example of the use of government power to empower the grassroots and to get more participation and not to substitute a bureaucrat in Washington, but on the contrary, to use Washington's power to let people at the base decide, which is what I am talking about.

Senator HUMPHREY. Mr. Chairman, according to the printed witness list, this is the last panel; is that correct?

The CHAIRMAN. Yes.

Senator HUMPHREY. Is nobody here from the Chamber of Commerce?

The CHAIRMAN. The Senator can read as well as I can.

Senator HUMPHREY. I am just rubbing it in.

The CHAIRMAN. You are not rubbing in anything. Your complaint is with your Ranking Minority Member.

Senator HUMPHREY. I thought the Chairman had more power than the Chairman will admit.

The CHAIRMAN. Well, we work closely together, Senator.

Senator HUMPHREY. Nobody from the National Association of Manufacturers?

I mean, Mr. Harrington, do you spend full time advocating and advancing the socialist cause?

Professor HARRINGTON. No. I am a Professor of Political Science at Queens College, which has very much the same profile that Senator Kennedy described for the University of Massachusetts-Boston.

Senator HUMPHREY. How much time do you spend advancing the socialist cause?

Professor HARRINGTON. Oh, one full-time job, and I have two other full-time jobs, Senator.

Senator HUMPHREY. I can understand that situation. But my point is that we have no one here who spends full time advocating capitalism. What kind of a selection of a panel is this?

There is nothing personal in this, Mr. Chairman, towards you or any of the witnesses. I like you more and more as time goes by. You are a pretty nice guy. But this is nonsense. This is shameful. I protest. I hope we will have a better selection in the future.

The CHAIRMAN. We are adjourned.

[Whereupon, at 1:45 p.m., the Committee was adjourned.]

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